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## **Stakeholders' management approach in Italian 'territorial' companies Loccioni Group and the 'Land of Values – LOV' project**

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**Abstract:** What is the importance of sharing common values that originate from the entrepreneurs' and companies' embeddedness in a cohesive territorial socio-economic system? Departing from this research question and taking both a deductive and inductive perspective, the paper aims to propose reflections around three main topics: the entrepreneurial and familial origins of SMEs' value systems, which are strictly connected to the historical, cultural, and social roots in their local territories; the influence of these values on the companies' approaches to stakeholders management; and the development of stakeholders' networks promoted by territorial companies, that share a mutual set of values. The case study (Loccioni Group) offers an example of good stakeholders' management practice, which co-evolves with the environment, improving, at the same time, the company's competitiveness and the socio-economic conditions of the local context in which it is deeply embedded.

**Keywords:** embeddedness; entrepreneurial values; networks; small and medium enterprises; social capital; stakeholders management; territorial companies.

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### **1 Introduction**

According to the stakeholder view of the firm (Freeman, 1984; Post et al., 2002), corporate sustainability depends on the sustainability of its stakeholders relationships. Sustainability refers to the ability of an enterprise to simultaneously meet economic, environmental and social requirements in the long run (WCED, 1987, Brundtland Report).

Stakeholders' management theory (SMT) may be based on different ethical views (Phillips et al., 2003), producing several possible approaches as well as a "reasonable pluralism" of theories. Stakeholders approaches that are grounded in ethical theories present a perspective on CSR (Corporate Social Responsibility) in which ethics and values are central (Freeman et al., 2010).

Starting from this conceptual framework, the focus of this paper is on both the entrepreneurs' and the territory's values, which together are considered the source of an SMEs' (small and medium-sized enterprises) ethical foundation that orient stakeholders management. Territorial values are the typical culturally, socially and historically situated values of a local socio-economic context in which the entrepreneurs and their companies are embedded. They represent a specific "*genius loci*" (Cipolla, 1990) marked by work ethics, by the importance of the family as civil cell and by a strong sense of feeling like active members of one community.

The theme of stakeholders management, like that of sustainability and CSR-oriented strategies, is predominately studied in major enterprises; in comparison, SMEs have received relatively little attention (Thompson and Smith, 1991; Spence, 1999; Spence and Schmidpeter, 2003; Spence et al., 2003). There is a small body of literature on SMEs' experiences in industrialised countries and a very limited amount in developing countries (Perrini, 2006).

A systematic analysis of the possible transferability of sustainability, CSR and stakeholders management concepts for SMEs – such as the discovery of SME specific patterns – constitutes a critical gap in the research which needs to be filled (Lawrence et al., 2006), since SMEs play a critical role in industrialised and developing economies (OECD, 2009).

SMEs make up more than 90% of business worldwide and on average account for 50% of the Gross Domestic Product (GDP) of all countries and for 60% of their employment (UNIDO, 2007).

They represent the true sector of economic power and are the largest employers in Europe (Rankin Kerr, 2006). They make up 99% of economic activity, employ 66% of the workforce, and produce 50% of the value added (Observatory of European SMEs, 2003; EU, Small Business Act for Europe, 2008). These figures are even higher in Italy, where SMEs comprise 99.2% of all companies, and employ 79.81% of the total work force (Bank of Italy, 2009; Calcagnini and Favaretto, 2011).<sup>1</sup>

A number of characteristics distinguish SMEs from their larger counterparts: size, legal structure, orientation toward profit, national context, historical development, and institutional structures (Julien, 1994; Spence and Rutherford, 2003). They are normally legally and economically independent, not inevitably growth-oriented, typically family-owned, and are characterised by strong ties between the firm and its owner. Their simple organisational structures support informal relations with internal and external stakeholders.

Together, these attributes can be synthesised into three aspects that reflect the uniqueness of SMEs: their convergence around a common mission and set of values, facilitated by their proximity to stakeholders and by the direct involvement of the owner and/or the entrepreneurial family in managing the businesses; the simplicity of their organisational structure, which allows direct and frequent relations between stakeholders; and their embeddedness in the surrounding territory and socio-economic context. This last factor assumes particular importance in driving the business toward forms of

stakeholders management based on values that typically express the particular socio-cultural and economic tradition of the territory in which they are embedded (Del Baldo and Demartini, 2011).

The Italian socio-economic system is characterised by the diffusion of SMEs in districts which are particularly concentrated in North and Central Italy, along the Adriatic Coast. In these local areas, SMEs which cultivate a distinctive relationship with the socio-economic environment – that is, which are genuinely rooted in their surrounding territory – can be defined as “territorial companies”, developed in contexts characterised by strong social cohesion (Del Baldo, 2010a).

The values at the base of their strategic orientation are not only linked to the personal attributes of their entrepreneurs and managers, but, being profoundly rooted in local contexts, are also connected to anthropological factors (historical, social and cultural) typical of the local socio-economic environment, characterised by the presence of a specific social capital (Matacena and Del Baldo, 2009). The values of their entrepreneurs, and those of the entrepreneurs' family, are transferred to the firm and are shared with the company's stakeholders, beginning with the actors from the local socio-economic fabric (employees, suppliers, institutions, trade union associations, banks, non-profit organisations, universities, members of civil society) that work together to actualise a model of sustainable development within the territory. Entrepreneurial values represent a fundamental driving force of stakeholders' management practices, and lead to the adoption of actions, as well as the communication tools (social balance, chart of value, ethical code, global report, sustainability reports) connected to CSR and sustainability-oriented strategies.

In light of these considerations, the attention of this work is focused on the centrality of entrepreneurial values and on the embeddedness of SMEs. The foundational research question is the following: What is the importance of sharing common values that originate from – and are reinforced by – the entrepreneur's and the company's embeddedness in a cohesive territorial socio-economic system? Can “territorial values” (values shared among actors belonging to the same territory characterised by a diffuse entrepreneurship and strong social cohesion) influence the company's stakeholders' management approach and practices?

To this end, the paper is divided into two main sections, whose aims are to develop the theme deductively and inductively. The first presents a description of the theoretical framework, which includes contributions on the themes of stakeholders management and stakeholders dialogue in SMEs, and on the local context's influence on entrepreneurs' behaviours and strategies. The second part consists of an empirical analysis based on a qualitative research centred on the case study method. The selected Italian company – Loccioni Group – provides a compelling example of rural and industrial culture based on shared territorial values, and can be considered a best practice for stakeholders management and for its networking enterprise model. Loccioni Group is part of a wider set of SMEs that serve as a model of territorial social responsibility and sustainability in the Marche region which contains a number of firms capable of leading the way in sustainable development and CSR-oriented projects that create value for the community, both near and far (Del Baldo and Demartini, 2010).

## 2 Stakeholders management in SMEs

Stakeholders management is the application of stakeholder theory to the business' government (Freeman, 1984). "Corporations are seeking corporate responses to social demands by establishing a dialogue with a wide spectrum of stakeholders" (Garriga and Melé, 2004, p.59). One can consider the business as one element within a broader network and confirm the importance of relationships and trust between diverse interlocutors (Rusconi, 2006). This relational perspective (Granovetter, 1985; Gui and Sugden, 2005) is also present in Freeman's recent thinking (Freeman et al., 2010).

The company's objective of creating sustainable value requires that corporate processes are sustainable – that is, that they endure through time and are based on equally relationships with diverse stakeholders. In the perspective of stakeholder value (Freeman et al., 2007) the company is one of the possible actors within a stakeholders' network; its relationship with stakeholders thus becomes a strategic resource.

Stakeholders management involves organisational and managerial innovations aimed to support new forms of stakeholders' engagement and commitment oriented toward integration, participation and collaboration with the stakeholders to reinforce the firm's intangible assets of know-how and trust (Ghoshal and Bartlett, 1997; Lev, 2001).

According to several authors, research on stakeholders management and on the relationship between CSR, sustainability and SMEs differs significantly from the research on big corporations (Spence and Rutherford, 2003; Perrini, 2006). SMEs have been given less attention in the literature on stakeholders management and ethics and more empirical research is needed to shed new light on SMEs as a specific business form (Jenkins, 2004).

In SMEs the influence of the subjective sphere is maximised, the importance of relating to the internal and the external is proclaimed by the limited dimension, and the social rooting of the small business and of its creator in the local environment is a central factor.

A contingent approach is necessary, in order to take into consideration the aforementioned specific characters, both internal and external: the former relative to the centrality of the entrepreneur and his system of values; the latter linked to the relationships with their respective local contexts.

In terms of the former the research conducted in Europe (EC, 2002; EU, 2004) reveals that the process of orientation toward CSR and sustainability normally is promoted by the owner-entrepreneur and depends on his ethical orientation (Vyakarnam et al., 1997; Jenkins, 2006; Spence and Lozano, 2000; Spence et al., 2003; Morsing, 2006). The system of "perennial values" (honesty, loyalty, justice, respect for human life – Catturi, 2003) that forge the ethical constant of the business management represent the premise for entrepreneurial success. Entrepreneurial motivations and aims are placed at the base of the theory of social success of the entrepreneur (Sciarelli, 2007). Social power – and the respect of the surrounding community – finds its counterbalance in social responsibility attributed to, and embraced by, the entrepreneur. The firm's success and its consequent social power are also founded on respect for both economic balance and on moral values (Quinn, 1997).

In terms of the latter (SME's rootedness), the proximity to the surrounding territory assumes particular importance in driving SMEs toward forms of stakeholders

management based on relationships that are facilitated by shared common values which typically express a particular socio-cultural and economic tradition of the territory in which the company and its stakeholders are embedded (Ringov and Zollo, 2007).

The symbiotic relationship between companies and their social context is considered central to many different theories (Ackerman, 1975). Interaction is even more significant for small firms and this helps give prominence to social capital, intended here to mean the totalisation of relations among individuals inspired by principles of trust, reciprocal understanding, and shared values (Moon, 2007).

The qualitative study conducted through single and multiple case studies therefore represents an important body of research that identifies a diversity of distinctive factors regarding the relationships that SMEs cultivate with their stakeholders. It becomes, at the same time, important to raise awareness of, and understand these factors through cases that exemplify best practices.

Lately, one of the priority areas of the European Commission's policy is aimed to support them through forms of collaboration and exchange of experiences centred on partnership among private and public operators, firms (large companies and SMEs) and the civil society<sup>2</sup> and on the diffusion of examples of excellence (the so-called "best practices") whose protagonists are SMEs (European Multistakeholder Forum, 2004; EU, 2009a; EU, 2009b, p.15).

### **3 Stakeholders dialogue and values-based networks in SMEs**

The "human factor" in SMEs is central because of the tight framework of interpersonal relations (familial and social relationships) that is held by the entrepreneur, which stratifies itself inside and outside the firm (internal and external networks). The business is nearly always linked to the family, which is essentially a civil "cell", rather than a socio-economic entity. Small entrepreneurs are often active members of the territorial community to which they are linked, representing its "creative soul", and reinvesting their energy and part of the economic wealth they generate (Del Baldo, 2006).

The relational factor is the driver of specific SMEs' strategies focused on forms of qualitative development such as the reinforcement of intellectual capital (human, relational and social capital) and forms of collaboration with internal and external stakeholders and by intra- and inter-firm relationships (Churchill and Lewis, 1983). These strategies (which include CSR and sustainability-oriented strategies) reinforce social cohesion with local actors, improve the firm's internal environment and the company's reputation.

SMEs are an integral part of the local community and their success is deeply related to the degree of legitimacy and approval from local stakeholders. Trust is built not only on geographical proximity, but on common history and joint activities as well (Peredo and Chrisman, 2006). Half of all European SMEs are involved in externally socially responsible activities and are more actively involved when they have strong network relationships (CERFE Group, 2001). They are normally involved in local networks (Molteni et al., 2006; Battaglia et al., 2006; Ørskov, 2006) characterised by the presence of a plurality of actors, both public (institutions, trade unions, universities, chambers of commerce) and private (trade associations, non-profit organisations, foundations, banks, professional orders, civil society), primarily based on informal relationships.

SMEs deeply rooted in their respective territories possess a good starting position for a sustainability strategy as a result of their structure and regional infusion (Leborgne and Lipietz, 1991; Storper, 1995) and are able to effectively engage in different forms of stakeholders dialogue.

Stakeholders dialogue represents a way of confronting, negotiating, and recognising reciprocal interests and aims to find shared solutions. It assumes the aspect of a complex and continuous relationship that the business entertains with internal and external stakeholders through several instruments: questionnaires and interviews, organising periodic meetings, instituting forums, bilateral and multilateral dialogues, and creating stakeholders networks.

In SMEs stakeholders dialogue and the formation of a stakeholders network is facilitated by traditional ties that the business and the entrepreneurs entertain with the surrounding community and in a climate nourished by continual interpersonal relations and based on reciprocal trust and shared values. The success of many businesses continues to depend on their rootedness in the territory in which they were born and are developed, thanks to positive relationships that come from the quality of human capital (qualification of the labour, and the specific working culture) and of social capital (social and institutional cohesion, solidarity, and interpersonal faith). In these cases, stakeholders dialogue represents a praxis of valorisation of social and relational capital available at the local level.

In Italy one of the prime examples of stakeholders dialogue has occurred in some of Electrolux-Zanussi's factories, starting in the mid-1990s. The most significant experience emerged in the factory located in Maniago (in the Trentino-Alto Adige region), thanks to a favourable climate between stakeholders and to a diffuse fabric of small businesses. The collaboration (through the creation of a committee composed of both internal stakeholders and the most important local institutions, the representatives of small subcontracting firms and other associations from the community) consisted of identifying common growth-oriented goals, and solidified the link of exchange between the factory and the surrounding community, synthesised in the compilation of a social balance.

Embeddedness, intended as a sense of belonging, identity, shared values and co-participation, is at the core of the process of formation of cultural and ethical networks that are often the translation of social forms based on personal relations. Rich in intangible resources, they actualise the exchange of social goods such as prestige, reputation, esteem, friendship, faith (Niccolini, 2008). Rootedness constitutes one of the principal drivers for the development of stakeholders dialogue and of CSR and sustainability-oriented strategies that are raised in "identity" contexts.

Reputation, trust, legitimacy and consensus are all aspect of social capital at the base of the long-term performances of SMEs embedded into the local community in which they operate. Different scholars focus on social capital (Adler and Kwon, 2002; Spence et al., 2003), which refers to connections among individuals – social networks and the norm of reciprocity and trustworthiness that arise from them, and to virtuous circles of cooperation, reciprocity, civic engagement, and collective well-being. These traits define the civic community (Putnam, 2000, p.19; Putnam, 1993, p.167).

Thus, to learn the most about SMEs' stakeholders dialogue and their CSR and sustainability oriented-strategies, one of the most appropriate perspectives for further research is the theory of social capital in conjunction with stakeholder theory. Two main reasons support this assumption.

First, leveraging their flexibility and trust-based relationships, SMEs are more willing to gain intangible assets than big corporations. "There are several stakeholders with whom SMEs have a stronger relationship than do big corporations and these stakeholder are often embedded with SME's social capital" (Perrini, 2006, p.312).

Second, engagement and civic issues in economic local development have been found to be an important issue linking social capital and SMEs which possess a genetic aptitude in integrating in their strategy important issues such as cultural and anthropological factors, past experiences and expectations about the behaviours of the people living in the local area because they are part of the same community (Joseph, 2000).

Finally, a specific consideration, indicated below, is relevant to the Italian situation, given the predominance of SMEs and their diffusion in all Italian Regions and towns, and the role played by territorial companies, strongly involved with their economic and social contexts.

#### **4 SMEs: Italy's territorial companies**

Relationships between a region's specific soft factors, such as culture and institutions and the firms, have been investigated and studied both for transnational firms as well as for industrial districts and clusters (Storper, 1997; Storper, 2009). Cooke and Morgan (1998), Asheim (1996) and Amin (2003) in their contributions to the literature on industrial districts, argue that SMEs in a particular district can collectively improve their location environment through cooperation.

"Paradoxically, the enduring competitive advantages in a global economy lie increasingly in local things – knowledge, relationships and motivations" (Porter, 1998, p.77). The creation of corporate shared value is considered to be a new way of "reinventing capitalism"; it involves creating economic value in a way that also creates value for society by addressing its needs and challenges through new forms of collaboration. To follow this objective, large multinational corporations – frequently disconnected from their community – should be oriented toward the creation of local sectoral clusters in the surrounding community in order to strengthen the connection between the company and the communities' success (Porter and Kramer, 2011).

The frontier of responsible competitiveness (MacGillivray et al., 2007) is marked by value-driven businesses (Cohen and Warwick, 2006) in which entrepreneurial success is strictly tied to the capacity to create shared value with stakeholders.

Innovative models of local development are affirmed in time in Europe as evidenced by the capacity of the entrepreneurial fabric – and above all of SMEs – to engage locally, adhering to multi-stakeholders partnerships and developing networks of relations and collaboration characterised by genuine commitment (Zsolnai, 2002), aimed at linking economic well-being, social cohesion and environmental protection.

In Italy, whose socio-economic fabric is composed of SMEs, there are many zones in which values – in terms of know-how, culture, and sense of belonging to a local community – inspire entrepreneurial behaviour. A typology of Italian companies' orientation toward CSR (which comes from an analysis of 4000 companies) presents a behaviours map that reveals five groups of companies: cohesive; multi-certificate; aware;

mobilisable; skeptical. The first two types are characterised by the attention to their stakeholders' expectations and appear to be predominantly located in districts and clusters (Unioncamere, 2003; Molteni and Lucchini, 2004).

The interaction between firm and society is at the base of the entrepreneurial model of the "Third Italy" (Bagnasco, 1977) in which SMEs are organised predominately in local territorial systems (Becattini, 1987). The industrial district represents an authentic "small social market economy and is the paradigmatic expression of a balanced capitalism 'with a human face'" (Becattini, 2004, p.244).

Diverse researchers, historians, sociologists and economists have emphasised the active role of the entire local society in favouring this type of development "without fractures" (Fuà and Zacchia, 1983) which has characterised the economic model of the Marche, and, more generally, of the Third Italy after the Second World War. Putnam (1993) underscored the importance of a diffuse associative social fabric in creating social cohesion and promoting political and administrative efficiency. Trigilia (1986) built on the role given to political subcultures (Catholic and social-communist) in promoting less conflicting relationships between labour and capital. Bagnasco (1977) revealed how the objective of reconciling competition and cooperation have safeguarded social cohesion, and, at the same time, guaranteed the growth of a diffuse entrepreneurship and of systems of local production.

A recent piece of research, which centred on various cases involving Italian SMEs, allowed verifying an important connection between orientation toward sustainability of companies led by entrepreneurs "champions of CSR" and the sharing of those values typical of their family and local context (Harvey et al., 1991).

Local and global orientations combine in a model of capitalism, called "kind capitalism", that is sustained by the many territorial enterprises characterised by a strong and positive relationship with the local context, which translates into reciprocal exchange (Del Baldo, 2010b). The values at the core of territorial companies' mission above all spring from the rural culture and from the culture of the Italian cities during the humanistic Renaissance, which is the heritage of the civil economy of the country's historical tradition (Bruni and Zamagni, 2004).

Territorial companies base their identities on the respect for people and on the creation of high-quality products and services, on reaching economic, social, and environmental success. This model of development has the capacity of staving off economic decline, environmental degradation, social impoverishment, and pessimism, thanks to the synergy between an orientation to the future, defence of traditional knowledge, of the quality of the environment (i.e. the green economy), and research in advanced and high-tech sectors. For years it is active in Italia Symbola,<sup>3</sup> a foundation for ensuring Italian quality, adhered to by hundreds of firms (among them, SMEs from the Marche region number among the most significant), institutions, and associations, that places the territory and its uniqueness at its centre, connecting competitiveness with social well-being, local traditions with innovation and orientation to the future, beauty with quality.

When there is a common aim to improve the quality of life that ties together individuals and organisations belonging to the same territory, it is possible to introduce the concept of territorial social responsibility, founded on the rediscovery of shared values and on a common culture. The concept of culture reminds to beliefs, norms, traditions and attitudes that drive the behaviour of individuals and organisations belonging to a definite community (Hofstede, 1980).



That is the rationale why the Marches – along with other Italian territories (i.e. Tuscany, Emilia Romagna, Trentino Alto Adige, and Veneto) – offer an interesting laboratory to grasp the proactive role of SMEs, capable of activating – as illustrated in the following case study – innovative forms of stakeholders' management and values-based networks.

## **5 Loccioni Group: entrepreneurial and territorial values at the base of stakeholders' management and values-based networks**

### *5.1 Aim of the study*

As mentioned in the introduction, this study tries to “seize upon” Freeman et al. (2010)'s invitation to develop stakeholder theory by giving attention to a particular entrepreneurial case that exemplifies best practices of stakeholders management. In particular, it tries to demonstrate how, in the context of SMEs, stakeholders management is favourably influenced by the sharing of values present in the place in which companies are found. And, in this way, it intends to offer an occasion to begin reflecting on the suggestion: “Can we build theory around these practices to show how and why they create value, specifically connecting purpose and values to specific practices?” (Ibidem, p.290).

### *5.2 Methodology*

The following study was developed according to a qualitative approach and a case study methodology (Eisenhardt, 1989; Yin, 1994) in order to pinpoint the internal factors (organisational structures, internal micro-processes, attitudes, points of view, perceptions) that, together with the corporate characteristics (size, sector, etc.) and general contextual factors (economic, political, cultural, etc.), are able to explain entrepreneurs' orientation and the diverse manifestations of stakeholders management in SMEs.

The work is placed in a body of research which involves both academics as well as consulting groups and professional exponents (i.e. entrepreneurs and managers), making ample use of case studies. In addition to developing the understanding and an interpretation of the phenomenon, the case studies' purpose is to present concrete testimonies which can provide the means for critically evaluating opportunities of involvement with the community, providing solutions, and activating a virtuous cycle of development.

Recently, entrepreneurship scholars have called for a return to in-depth methods, such as narrative and case studies (Gartner, 2007). Such approaches are valuable for building theory (Eisenhardt and Graebner, 2007), generating theoretical propositions – that can then be tested using broad-based quantitative research designs – and formulate hypotheses on which theories can be constructed.

The study focuses on Loccioni Group (single case study), a Marchegian enterprise that is representative of the entrepreneurial and economic fabric of the region and is “strongly” CSR and sustainability-oriented. Two clarifications are necessary with specific reference to its size and geographic area. First, the Loccioni Group is medium-sized, not cited and is family-owned run, a typical example of the “family businesses” spread throughout Italy. It presents, however, managerial assets and evolved organisational structures. Secondly, the business belongs to the Marches, a classic example of the

aforementioned “Third Italy” model, in which the development of SMEs is established in small centres, without upsetting the pre-existent agricultural and artisan vocations, and preserving socio-economic fabric of relationships anchored in the territory. It is a region with one of the largest presence of artisan companies and districts. A recent study (Unioncamere, 2010) that analysed the geography of sustainability in Italian provinces – in terms of economic, social, and environmental development – found that the provinces within the Marche regions were at the top of this list and characterised by superior values than the national medium, balancing economic development with social cohesion. Marchegian businesses are also highly present in different national “best practices” lists for their CSR and sustainability-oriented development projects (such as lists by ISVI, the Institute for Business Values), and have also been recognised at the national and international levels (such as with the Sodalitas Social Award).

The analysis was based on information collected in the period October–March 2009–2010 through a triangulation of multiple sources: in-depth semi-structured interviews; informal conversation to the founder, his entrepreneurial family and to other collaborators at various levels and firm-wide functions, as well as local partners, clients and supplier; direct and participant observation during companies’ visits and workshops, conferences and focus groups – in which entrepreneurs’ experiences were exchanged with researchers, other entrepreneurs, and local institutions – documentary analysis.

### 5.3 *Brief presentation of the company*

Loccioni Group was created in 1968 in a small town belonging to the Province of Ancona by Enrico Loccioni (the current president), who founded six businesses in the next forty years. Ownership is primarily familial (the founder and his wife are the company heads), even if two of the businesses in the group are in partial possession of subjects outside of the family. The Group proposes itself as a “technological tailor” for its capacity to custom-design technological solutions for its clients. Its activities are primarily based on distinctive “core competencies” applied to diverse markets: environment, home, automotive, industrial, community, health (Table 1).

**Table 1** Group profile

Company title	Gruppo Loccioni
Registered office	Angeli di Rosora (AN - Marche - Italy)
Year of constitution	1968
Sector	Electrical and electronics implants, automatic equipment and plants-design-robots
Corporate purpose	Integrated technologies for environmental monitoring; measurement and quality control; biomedicine and medical equipments; telecommunication and environmental control; green energy; training and consultancy for technical, managerial education and for business development
Employees	284
Total sales (2009)	45,000,000 Euros
Ownership	Open family-owned business

**Table 1** Group profile (continued)

<i>Instruments of implementing and communicating CSR and sustainability</i>	<i>Year introduced</i>
List of company values	1969
Code of ethics	1996
Social report	1997
Intangibles impact	1997
Cause related marketing	1999

Its mission is expressed this way: “With curiosity and openness we integrate ideas, people and technologies to animate and give value to the business” and it is centred on the following values (Tables 2–3):

**Table 2** List of Loccioni Group's values

Imagination	To be capable of imagining means being capable of creating.
Energy	Much of it is needed to dream and to realise one's dreams.
Responsibility	For the air that we breathe, the land that we walk, the resources that we utilise, the trust that we obtain.
Tradition & Innovation (“Tradinnovation”)	To learn from the past to give form to the future.

**Table 3** The “identity card” of the Loccioni Group

Attention to human resources	<ul style="list-style-type: none"> <li>• 55% of the collaborators high school graduates; 45% college graduates; medium age 33 years.</li> <li>• 7% of its resources dedicated to educational development.</li> <li>• Best Work Place Italia Award, from 2002 to 2007 for excellence in organisational environment and the satisfaction of collaborators (Great Place to Work Institute, Italy).</li> <li>• Ernest &amp; Young Prize, “Entrepreneur of the year”, 2007, “Quality of Life” category.</li> <li>• Recognition as “Olivettiano businessman of the year 2008”.</li> </ul>
Attention to research	<ul style="list-style-type: none"> <li>• 4% of its resources invested in Research and Development.</li> <li>• 12 patents and 7 projects of applied research.</li> <li>• European Recognition for the research project /DG XII, European Union) “MEDEA” (on quality control in the domestic electronics sector).</li> <li>• 11 patented research projects.</li> <li>• Best Application Award, Automotive Forum 2008 (Project “MEXUS”).</li> <li>• Marchegian of the Year (2008) for technological innovation.</li> </ul>

**Table 3** The “identity card” of the Loccioni Group (continued)

Attention to CSR and sustainability	<ul style="list-style-type: none"> <li>• Sodalitas Social Award 2005 Finalist, for the category “Internal Processes of CSR and network enterprise model”; “Metalmezzadro” project in the knowledge-based business.</li> <li>• Sodalitas Social Award 2008 Finalist, “Sustainability Projects” category.</li> <li>• “Business and Culture” Award 2003, project “Bluzone”.</li> <li>• Sodalitas Social Award 2009, Finalist in “sustainable initiatives” for the Project LOV, The Land Of Values.</li> <li>• Leaf Community Project: Leaf Energy and Future (partner of the European Commission in the “Sustainable Energy Europe Campaign”, accomplishments received by Legambiente.</li> </ul>
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*Source:* Loccioni Group, social report 2009

#### 5.4 Findings

Loccioni Group adopts processes of social and environmental certification, regularly publishes social and environmental reports, has obtained recognitions for its robust activities of social responsibility and sustainability both on the national and international level. Specifically, three are the distinctive traits of the Group:

- 1 the solid ethical base of the entrepreneur – that is influenced by shared religious principles, personal and family values passed down by his agricultural forefathers – is transmitted by the founder across personal relations in the business;
- 2 the outstanding capacity for communicating and for nurturing relationships, as well as the centrality of the individual person, are at the base of an organisational network model and of a peculiar model of stakeholders management which is concretised in the creation of CSR-oriented networks and partnerships.
- 3 the strong sense of community membership and the love for its own Marchegian “land”, which Loccioni perceives as a stakeholder, as well as a true desire to “attract” and to “permeate” the environment, beginning with the local level. In this context, Loccioni’s LOV – Land of Values project is implicated.

Below, the results of the study relative to these three aspects are described, at certain moments calling upon the direct thoughts of the protagonists as primary examples.

##### 5.4.1 *The entrepreneur’s roots: family and values of “country civility” typical of the place*

*“One night, when I was 5 years old, one of my father’s cows died. This meant that we couldn’t move our oxcart, we had to stop ploughing the fields. The next day our neighbours got together and brought us a young calf: a vestige of the agrarian culture in which the ethics of giving trump economic rationality.”*  
(E. Loccioni, President of Loccioni Group – E2)

Enrico Loccioni started an entrepreneurial adventure as an electrician. The industrialisation of the small Marchegian towns, which had been losing wealth because of high emigration during the 1960s, was launched first by entrepreneurs who knew how to trigger a movement based on the recuperation of those customs, traditions, civil conditions that their sharecropper ancestors had left. An inheritance of co-responsibility that does not exist in other experiences, deeply entrenched in the Marchegian spirit and culture: solidarity, good sense, wisdom, prudence, work ethics and neighbourliness.

*“The true roots of many Marchegian entrepreneurs, like Loccioni, are based in the 400 years of the harvest, which have prepared these populations for the world of entrepreneurship because the harvester was a small-scale businessman. The agrarian culture embraced profound values that were based on Christian doctrine. Loccioni Group is the classic demonstration of a category of entrepreneur that has had a precious and extremely important education from their ancestors, from whom they inherited the fundamental values of family, faith, work, commitment, and courage. The family unit was and is today at the forefront of Loccioni's scale of values; it is the reason why the company stands out, a badge of honour for our land.”* (L. Pigni, President of Pigni Group, partner – PA10)

The entrepreneur never neglects the matrix from which everything is born. In the Group, Marchegian business and family live 100% together.

*“The family is the primary source of values. It aggregates. It allows for the development of idea.”* (E. Loccioni – E2)

E. Loccioni speaks of values and culture not with intellectual boldness, but with the human simplicity of the self-taught man who has only made it to middle school, but who had envisioned his own model of industrial development in Werner Von Siemens and Adriano Olivetti (industrial humanism). The “metalmezzadro model” of the Group is based on a parallel between the industrialist (entrepreneur-manager) and the agriculturalist, between tradition and innovation (“tradinnovation”).

*“We take the best of the past to build the future. From a strong shared culture and from driven human resources can arise the commitment for the Common Good and the strength to face the market.”* (E. Loccioni – E1)

*“Look toward the sky, but have your feet planted firmly on the ground.”* (C. Loccioni, Enrico's son – S1)

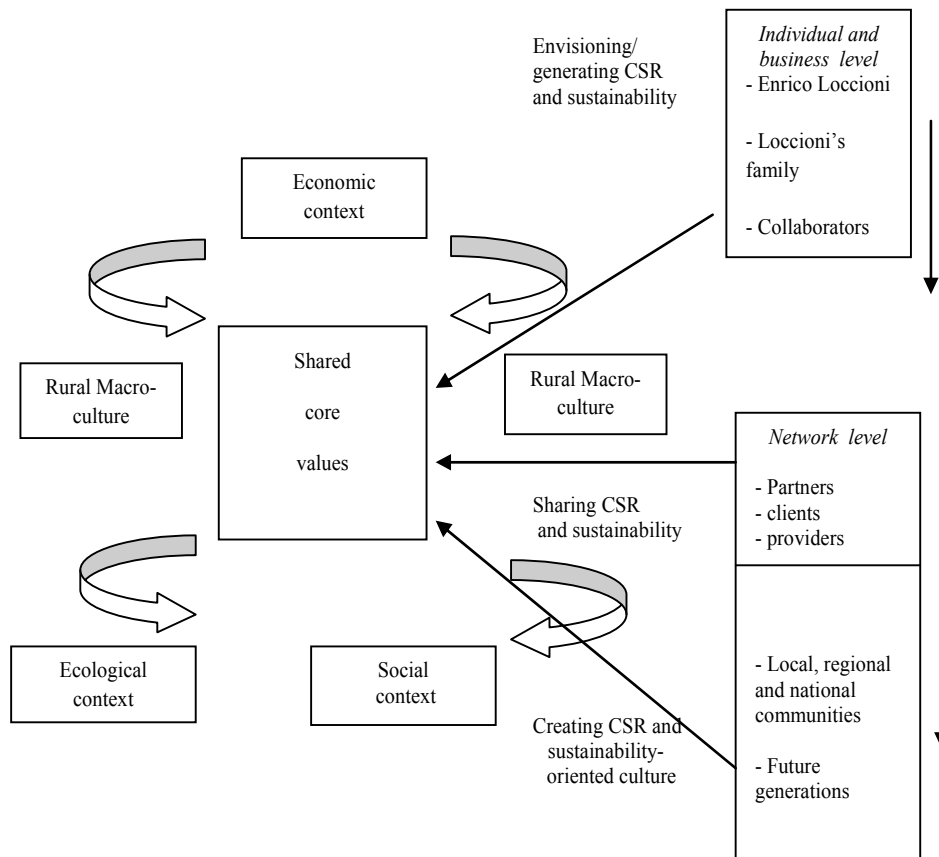
*“Values at the foundation of agrarian culture are obstinacy (literally a “ringworm”), desire, dedication to one's work, parsimony, the sense of one's limits, the sense of the family as the nucleus of solidarity, responsibility. Our intangible values are imagination (to know how to create), energy (to achieve our dreams), responsibility (for the air we breathe, the land we walk on, the resources that we utilise, the trust that we gain. We love to define ourselves as ‘metalmezzadri’. From the agrarian culture we have learned: the importance of traditional values, the transmission of trust with a handshake; the habit of working in seasonal uncertainty; the diversification of cultivation to reduce risk, just like in sharecropping. Without values one cannot go far. Values sustain actions and are the identity of the group; they provide a common language, they give strength to our businesses and guide them as they adapt to the market.”* (E. Loccioni – E3)

In managing the business, the entrepreneur has imported the principles and values typical of the rural Marchegian tradition, which constitutes a sort of DNA and a meta-culture in which the Group moves. The entrepreneur is intent on projecting “his” values at the

macroscopic level. The survival of socio-cultural values represents the explicit elements for understanding organisational and inter-organisational dynamics of such a socio-economic ecosystem.

Through multilateral relationships values are transmitted, at times even unconsciously, and transformed into true beliefs. In virtue of their stability and applicability to every individual, shared values play a central role in transforming its collaborators into “intra-entrepreneurs”, capable to develop frequent spin-off processes, as well as in interfacing with all stakeholders (Figure 1).

**Figure 1** Socio-cultural dynamics



Source: Adapted from Niccolini (2008, p.213)

#### 5.4.2 The stakeholders' management approach: values-oriented networks and partnerships

The Loccioni Group has a strong capacity to open itself up to others and to “weave and spin” towards the force of a networking approach. It can be considered a “convivial enterprise” (Balloni and Trupia, 2005). “Conviviality” is manifested in the creation of

values-oriented (internal and external) networks which represent the application of a social form ("clan") at the base of which personal relationships subsist between individuals who are linked by rapports of friendship, esteem and trust.

*"Ours is a way of being an open enterprise from the very beginning, born to welcome interlocutors as carriers of value; formation, collaboration, team work are our practices."* (E. Loccioni – E4)

The Group has become an educational laboratory for continual improvement and a vector of intangible factors. The Loccioni Group represents a diffuse entrepreneurial network, a "value retainer" and "cultural or heritage-driven". The network model that has been created through the projects and the organisational structure of the Loccioni Group are peculiar: U-net (multidisciplinary network of universities and research centres for the development of scientific competence and applied research); Crossworlds (network of international groups that aim to stimulate the transfer of automotive technology toward other sectors); "Bluzone", an educational laboratory accredited since 2002 by the Marches Region that partners with 28 schools, 20 universities, and 5 master's programs (every year more than 1000 students are hosted); Nexus (plural-sector network of local businesses), created in 1994 by Enrico Loccioni's idea to facilitate integration between SMEs in the Province of Ancona and to increase territorial growth, as well as the growth of the local companies, through sharing information and experiences by a global network able to interact and utilise the potential synergies. The initiatives promoted by Nexus are multifarious: monthly meetings, virtual board, training courses, collaborations with schools, scholarships, providing data for students' thesis, training, polytechnic visits, European projects. The staff is formed by 30 entrepreneurs/companies and more than 550 collaborators.

#### 5.4.3 A "Territorial" company: when the "land" is perceived as a stakeholder

Enrico Loccioni's desire is to leave a mark on its territory and to valorise its culture. The effort of the Group in advancing best practices is nourished by the will to testify this business "way of being" adhering to multiple occasions of exchange and comparison (workshops, forums, meetings, testimonies, etc.).

The Land Of Values project – created and promoted by the entrepreneur – is an example of stakeholders approach centred on the concept of welcoming various stakeholders, and on identity with the territory. By collaborating with small local tourism agencies (i.e. agro-tourisms), the Group offers its work-related visitors a unique and custom-designed experience, based on the particularities of the location, focusing on oenogastromic and country tourism. In the Loccioni companies' guides on hotel and restaurant partners and tourist brochures on the most significant Marchegian localities, are offered.

*"The partners who share in achieving this dream are agro-tourisms, farms, and tourist organisations who, like us, aspire to raise awareness of the enthusiastic yet less-well-known aspects of the Marches region, permitting to help breathe the atmosphere of our culture."* (J. Tempesta, Communication Manager – C2)

This "heritage experience" helps transmit to its partners those values and the ethical matrix, which stands at the base of its entrepreneurial culture. At the same time, it offers the local community, without any ulterior motives or desire for return, an opportunity that has economic and occupational reflects. Table 4 shows some aspects of the project.

**Table 4** LOV report 2008

<i>Visits</i>	<i>Reservations</i>	<i>Other activities</i>
3690 of which: 2005 business-related visitors	66,155,00 Euros for reception services 1000 reserved rooms	33,000 Euros spent on catering events
636 visitors for communication events	Monthly average booking: 83 rooms	16,000 Euros spent for oenogastronomic equipments
1049 visitors for the Bluzone project	Monthly average length of stay: 2 days/person	

In this project the ethical and cultural element is significant. The entrepreneurial intent to project his own values at the macro level is clear. LOV aims to bestow an imprint of collective values to its stakeholders, through the “full immersion” in that territory from which values emerge, and in which the same are stewarded.

*“LOV is a project that permits those who visit us the ability to share in a singular encounter of professionalism and conviviality. The visit to the Group must be a moment that involves, other than commercial intents, also moments of hospitality, which permits one to discover the values and the culture that originates in our world. Our value added is innovation and hospitality. With those who believe in the potential of its resources, a collaboration is born that aims to uncover for all the beauty of the Marches. It thus takes life through our cooperation with hotels and restaurants that best represent our local heritage, to let emerge our traditions and points of force in this territory rich in opportunities.” (E. Loccioni – E5)*

## 6 Discussion and conclusions

Business’ embeddedness in local and regional culture and entrepreneurial values are the key of this particular reading of the case study and the principal element that orients stakeholders management in Loccioni Group whose strength lies in its relationship-building capacity, in familial cohesion, in the quality of the values that it incorporates, and in the social cohesion of the local context.

Proximity, the feeling of nearness (which is social, cultural and physical) and social consensus can be considered the roots of innovative approaches of stakeholders management, which are experimented by territorial companies, businesses whose sustainable development is connected to the local context in which they are inserted. They perform the role of a visionary, of stimulators and “catalysers” (Collins and Porras, 1991), committing themselves voluntarily, to satisfy or to optimise social, ecological and cultural needs and desires, of all parties and from all parts, directly or indirectly interested.

Territorial companies are important protagonists in the construction of networks that are constituted by a plurality of actors (other public and private, for- and non-profit businesses) with whom they enter into relationships, utilising the exemplary social cohesion that characterises the contexts in which they operate. In this way they activate (or support) paths of sustainability that are not always exclusively local, but often extend themselves into the national and international contexts. They promote cultural reorientation, help to unlearn the bad habits inspired by “turbo-capitalism” and valorise humanity, relationships and the territory. And this comes from the richness and the appeal of their own virtuous testimony, able to call to “imitate the virtues”.



The analysis of the case study represents a preliminary attempt at deepening the understanding of how reciprocal relationships among the territory's social capital affect the SMEs' stakeholders management and the stakeholders dialogue approach. In sum, the case helped formulate two propositions:

*P1: In SMEs, stakeholders management is strictly connected to ethically oriented core values and are influenced by the belonging to a specific local context.*

*P2: Those values influence the company's approach to stakeholders management and facilitate the development of social and ethical networks of stakeholders are promoted by territorial companies that share a minimum mutual set of local values.*

The first proposition relates to the importance of fundamental values that lie at the base of stakeholders management: family values and the form of civility typical of the place.

The second relates to two aspects. On the one hand, to the importance attributed to the relations with diverse stakeholders, starting with local ones, that facilitate the creation of networks and partnerships whose goals consist of developing a model of sustainable territorial development. On the other hand it focus the attention on the specific nature of territorial companies, exemplified herein by Loccioni, in which the "belonging to the land" is perceived as a source of strength in stakeholders management.

The two propositions offer possibilities to further develop these reflections through future research, to closely examine territorial companies and their values sets, deepening the body of research on SMEs that emphasise the social capital for which they are distinguished, and contributing to the ongoing evaluation of the role of SMEs in favoring pathways to sustainable socio-economic development. As we have argued, empirical evidences show that SMEs are pretty much engaged in their immediate community. Entrepreneurs are strongly rooted to their family values and their local culture and always look back in the past to confront their challenges (Habisch, 2010). In Italy, just as throughout the vast majority of the world, SMEs constitute the backbone of the socio-economic system, and are able to offer examples of the ability of fighting the predominant socio-economic mentality, giving true answers to the requests of ethical behaviour, of local typicality, of better thought-out rhythms of life as well as of less rushed and superficial human relationships.

There is a need for developing a methodology that allows further empirical research on the relationship between ethical values, humanistic education, family and social structures and the development of a sustainable entrepreneurial spirit (Röpke, 1960). A possible methodology could be represented by the best practices case study method, with the scope of evaluating the virtuous behaviours of SMEs that lie at the base of so many local experiences – that often go unnoticed – and of favouring the dialogue among researchers businesses, public officials and civil society (Tencati et al., 2004).

Focusing attention on entrepreneurial values, on social capital and on the rootedness of SMEs, the study allows us to generate the hypothesis that SMEs' stakeholders management is influenced by virtue of their values structure, and by their embeddedness in local socio-economic contexts to which they belong and in which the entrepreneur and the company are inserted.

However, it has several limitations. First, it is a single case study. A more profound understanding requires an even deeper qualitative analysis that is broadened by a quantitative analysis. The question remains whether it is possible to extend these findings to a broader sample (analytic generalisation) across different Italian local contexts,

starting with SMEs belonging to the same region (Marches) and extending across other regions and countries. This would necessitate a more detailed investigation into how the socio-economic environments influence entrepreneurial and SMEs' values. In addition, it can build evidence on the differences and similarities in the values framework that comes from cultural factors.

Future research should focus on testing the suggested hypothesis, with the scope of providing a foundation to the model of development centred on the best practices of territorial SMEs.

Nevertheless, it is hoped that the study presented here has marked a first step toward better understanding the centrality of the culture of the place of which territorial companies are expressions. Consequently, it is useful to reflect on the possibility that these experiences, even in their specificity, can offer original contributions and enrich the literature on the SMEs' role in promoting forms of genuine stakeholders management, in a world that need a profound cultural renewal, starting from values and relations.

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## Notes

- 1 19.7% of Italian industrial firms employ over 250 workers while equivalent EU statistic is 34%. In 2005 only 3215 large-sized firms were present in the Italian economy, i.e. 0.1% of firms. In 2006, Italian enterprises with 1–9 workers comprised 82.9% of all total firms; those with 10–49 employees 14.8%; those with 50–249 employees 2%; and firms with more than 250 workers 0.3%. In the EU-14, the same size firms comprise, respectively, 79.4%, 16.4%, 3.5% and 0.7%. In the USA, these figures are, respectively, 62.6%, 30.2%, 4.3%, and 2.9% (see Calcagnini and Favaretto, 2011).
- 2 One example are the “territorial pacts”, programmatic accords between companies and public subjects, such as CSR Laboratories promoted by the European Commission in many instances of development and territorial requalification (i.e. the application of the Eco-Management and Audit Scheme – EMAS).
- 3 See [www.symbola.net](http://www.symbola.net); [www.softeconomy.it](http://www.softeconomy.it)