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Corporate Social Responsibility and Organizational Resilience in Small and Medium Enterprises

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Introduction & Summary

"Corporate Social Responsibility" and "Organizational Resilience" are, unquestionably, two of the most studied constructs when the company is the subject of the investigation.

On one hand, academics have devoted a great amount of time and resources to understand the deepest roots, the mechanisms involved, the levers exploited and the outcomes of implementing sustainable practices inside the company. On the other, aided by the increasing volatility of the markets and the growing frequency of macro-shocks, studies on the ability of individuals and structured groups of individuals, i.e. organizations, to both adapt to the constantly changing conditions and to react to them are at an all-time high. To this, it must be added how the interest of the very same subjects of the researches, the companies, for both pro-social activities and crisis response is constantly growing.

Interestingly, the findings of the past works of research investigating the reasons why companies invest in CSR practices include, but are not limited to, the goodwill of the actor. Other motivations, more related with the economic return for the stakeholders, seem to favour the adoption of such initiatives. Similarly, the large number of researches on Organizational Resilience have uncovered many and sometimes unexpected patterns and factors which could explain the enhanced ability of an organization to withstand internal and exogenous shocks.

What needs a more sound understanding is the relationship between the two, meaning if and how undertaking CSR practices would help the organization to control the environment, to foreseen threats, to adapt smoothly to changes and to bounce back from adversities.

In other words, does CSR foster resilience?

Furthermore, as it will be explained, the supposed linkage between CSR and Resilience is not immediate, but rather built on a multi-level logic. This, beside being one of the reasons providing appeal to the research, implies that a wider room for external factors to influence (moderate and mediate) the magnitude of the relation in analysis exists. Two of them, the "*Network of the entrepreneur*" and its "*Individual resilience*", are selected and deepened.

To attain the goals listed above, my thesis will be divided into four chapters. The fist one comprises a vast analysis of the construct of "*resilience"* applied to the workplace, both at individual and organizational level. The second chapter regards the "*Corporate Social Responsibility"* of the companies, with a particular focus on the European context, the SMEs and the effects of the crisis on the CSR practices of the companies.

In the third chapter, the core of the research, the findings of the previous two are merged and therefore the *mechanisms* through which CSR can possibly produce an influence on the resilience of the firms are investigated. In addition, given their prevalent role in the literature, two factors, namely the "*Network*" and the "*Individual resilience*" of the entrepreneur, are scrutinized and applied to the relation in analysis.

The fourth and final chapter will deploy an *empirical analysis* to verify the set of hypothesis formulated and will provide the implications, both theoretical and managerial, for the findings of the study. Finally some recommendations for future researches, together with the limitation of the model, will be offered.

1. CHAPTER ONE

ORGANIZATIONAL RESILIENCE

1.1 Introduction: the etymology of "Resilience"

The popular culture attributes the origin of the word "resilience" to the latin word "*resalio*", the iterative form of the verb "*salio*" (Castiglioni & Mariotti, 1976). "*Salio*" was used to describe various actions, such as jumping on a boat. The tale, passing from generation to generation, got enriched with many details, until the point that the current version states that the word "resilience" derives from the act of jumping back (*re-salio)* in an upside-down boat, in a sea of storm, looking for salvation. And the parallelism with the human life is self-evident and probably the reason why this myth is so common.

On the other hand, many scholars, when theorizing the concept, still state that the origin of the term "resilience" is to be attribute to the study of ecology and that the word was fist used by Holling in his landmark paper of 1973 (Alexander, 2013).

However, taking a sound and grounded approach to the subject, although the starting point and the end result are exactly the same, the findings indicate that the etymological story of the word is longer and nonlinear, crosses continents and oceans, involves different prominent figures and, ultimately, is more fascinating.

As reported by Alexander (2013), the term fist appears in the writings of Seneca, Pliny the Elder, Cicero, Ovid and Livy. In his collection of imaginary legal cases (*Annaei Senecae Oratorum et rhetorum sententiae divisiones colores*), Seneca used the term, in the sense of "to leap" while, differently, Ovid used it in the *Metamorphoses* as "to shrink or contract". However, the most common uses were already to describe jumping or rebounding: Pliny the Elder (*Natural History*) used the term to refer to the leaping of fleas and frogs and Cicero, in his *Orations*, employed it in the sense of rebounding accusations.

Many centuries later, for the first time, the term assumed negative connotations in the proverbs of St. Jerome (AD 347-420). The theologian and historian used the word to describe the desire of the subject to dissociate himself from what was going on and so to return to the previous situation or to recoil (Alexander, 2013) . Later, but still maintaining a negative meaning, the term passed into the Middle French "*résiler"* with the sense of "to cancel" and "to retract

Some centuries later, the word crossed the Channel and was translated into English. King Henry VIII (1491-1547) used the term in the State Papers in relation with his known troubles with the first wife Catherine of Aragon (1485-1536). In the royal documents, "resilience" was used again in the sense of "to return to a former position", "to retract" or "to desist" (Henry VIII State Papers 1, page 343). However, the first scientific use of the term resilience is attributed to another Englishman, the same credited with devising the modern scientific method itself: Sir Francis Bacon (1561, 1626). The scholar and General Attorney of England, unusually for his time, used to write both in Latin and English. For this reason, in 1625, in a compendium of writings on natural history (*Sylva Sylvarium*), the scholar first used the term "resilience" to describe the strength of the returning echoes. In any case, by the end of the sixteenth century, the term seemed to have acquired greater popularity among Scottish intellectuals rather than the English counterpart, even becoming integral part of the Scotch dialect (Alexander, 2013).

Only 21 years after its first use in a scientific paper, the fist dictionary definition of the word resilience was written. Indeed, the lawyer and antiquarian Thomas Blunt (1618-1679) opted to include "resilience" among the 11'000 terms he considered far enough from common parlance to be worthy included into the *Glossographia* (1646). In this first formal definition, the meaning of "resilience" is dual: to rebound (1) and to go back on one's word (2).

Notably, the term "Resiliency" which is now often used interchangeably with "Resilience", did not appear before the half of the seventeenth century, several years after the cousin. Specifically, in 1651 the Moravian theologian John Amos Comenius (1592-1670) translated the physics guide *Lumen divinum reformatae synopsis* from Latin into English and used for the first time the word "Resiliency" even though the meaning attached to it was in full similar to the one of "Resilience". In the nineteenth century, on the other hand, the term "Resiliency" was being employed to describe the ability to withstand the effects of earthquakes. In particular the American observers, in 1854, used the world with respect to what happened to and how the citizens of Shimoda, southwest of Tokyo, reacted to the tremendous earthquake which took place that year (Tomes, 1857, p. 379).

Since 1839, the word "resilience" has assumed the current meaning and therefore it has been portentously used to describe the ability to recover from adversity (Bell, 1839; Alexander, 2013). The current definition of the word includes " the ability to be happy, successful, etc. again after something difficult or bad has happened" and "the ability of a substance to return to its usual shape after being bent, stretched, or pressed" (Cambridge Online Dictionary, 2020) or, according to the Oxford Online Dictionary (2018) "the capacity to recover quickly from difficulties; toughness and the ability of a substance or object to spring back into shape; elasticity”.

1.2 What is resilience?

After having seen its etymologic path during the centuries and the current definitions, the following step is to understand how resilience is operationally defined in the various fields in which the concept is employed.

1.2.1 Resilience in Ecology

As mentioned above, ecology was a pioneer science in the study of resilience, to the point that, wrongly, many scholars still give credit to it for devising the word. The research they refer to is the one conducted by Holling in 1973 who used the term to describe the non linear dynamics of the systems he was studying. In his investigation of species and systems extinction, the Canadian ecologist distinguished between “*stability”* and “*resilience”*. While the first was not a novel concept for the time, “resilience” was defined as “the ability of a system to absorb changes and still persist” or “as the amount of disturbance a system can absorb without changing state” (Holling 1973, 22). Therefore, if “stability”, the characteristic of stable times, emphasizes “the equilibrium, the maintenance of a predictable world”, “resilience” is most needed when the conditions are unstable and “emphasizes domains of attraction and the need for persistence” (both Holling, 1973, pag. 21).

The conclusion to which Holling arrived is quite dramatic: when resilience is lost, the interaction of determinist forces and random events can lead to the extinction of an entire system.

1.2.2 Resilience in Engineering

Failure in engineering is too often attributed to a malfunction of a machine or to human error rather than being viewed as the inability of the system to adapt to permanent changes (Madni and Jackson, 2009). Indeed, a system needs a form of control which continuously checks the whole process, which can anticipate possible threats, can adapt, survive and ultimately will learn during the whole process (Hollnagel and Woods, 2006). This process is what is commonly defined as *engineering resilience*. Consequently, even in a field which could appear to be static, resilience is a dynamic by definition and continuously evolving concept. In fact, it is not possible to originate engineering resilience, or safety, by simply adding new features or procedures. The only available path to reduce malfunctioning and to increase the number of successful processes is to constantly monitor the environment, to adjust to changes, to improve the internal processes and to learn by doing (Hollnagel and Woods, 2006).

1.2.3 Resilience in Psychology

The fact that, although raised by parents having mental illnesses or in state of poverty, many children were able to maintain positive mental health in their lives, was the trigger which sprung the interest of researcher to investigate resilience in psychology (Luthar, 2006; Luthar & Cicchetti, 2000; Winders, 2014). Specifically, the researchers were eager to understand what caused the heterogeneity in results given a set of similar and negative inputs, namely the children all being raised in at high risk households.

The experiments were carried out in different countries: Hawaii in the study conducted by Werner (2000), Sweden in the research of Cederbland (1995) and in the US for the notorious work of Garmezy reported in his paper of 1991. All the experiments lasted more than a decade and provided results consistent with each others: a significant percentage (up to fifty percent) of the children whom grew up in adverse situations were then found to be positive about themselves, to possess a great locus of control and ultimately achieved a successful and independent life. The interpretation of the results and therefore the bias present in this first wave of research was defining the successful adaptation, or resilience, as an extraordinary quality of individuals (children). As a matter of facts, the children were described as “incredible” and “invincible”. The underlying assumption was that those children possessed an extraordinary mental strength, a given gift impossible to replicate and thus to teach. The bias was so pervasive that one of the earliest articles on this area was called “In praise of invulnerables” (Pines, 1975).

After the fist period which described resilience as a “trait-like feature”, a second one followed and this time the common shared point was the assumption that resilience is a “basic human adaptive mechanism” (Masten, 2001). In other words, resilience can be represented as a set of ongoing behaviours that people exert and amend over time according to the situations of crisis that are faced. In sharp contrast with the previous wave, now resilience is not an extraordinary gift received by a few elected, but an attribute normally possessed by individuals (De Vries & Shields, 2006).

The research on resilience during the so-called “second wave” was guided by the question “how are the resilient qualities acquired?” (Richardson, 2002) and the relative answers were provided by the papers published after the 1980s. The most common response was that individuals commonly learn from their past experiences and missteps and therefore understand, time after time, how to more effectively address the new arising problems (Luthans et al., 2006).

The last and contemporary wave of research, not clearly distinct from the previous one, has the purpose to discover the sources where individuals continuously drawn on in order to reintegrate resilience. To date, the findings indicate that the main source is the same internal motivation which encourage human beings to pursue “wisdom”, “self-actualization”, “altruism” and to be “in harmony with a their spirituality” (Richardson, 2002).

Protective and risk factors

Focusing on the psychological resilience itself and viewing resilience as a self-reinforcing process, scholars in the last decades have identified two complementary but necessary sources of personal resilience: the “risk factors” and “the protective factors”. While risk factors refer to abuses that tend to reduce the possibilities for a positive development of the individual, protective factors are expected to help the individual to overcome various level of difficulties and to preserve their mental health (Wener, 2000). However, given the bias towards the study of disadvantages children, the risks and protective factors individualised are more related to the childhood period rather than to adult life.

The masterpiece of this time is the research conducted by Ann Masten (2001), which in fact, was the one to introduce the concepts of “risk” and “protective factors”. Still, she was more concerned with the study of the protective factors and the possibility to duplicate them rather than investigating the risks factors which, by the way, were the same indicated by the first researches of Werner, Garmezy and Cederbland. The protective factors discovered by Masten were found to function at three levels: at “individual”, at “family” and at “community level”. Protective factors at individual level consist on the *psychological capital* of the person, namely “social competence”, “problem solving skills”, “internal locus of control” (or autonomy) and a “sense of purpose”. Protective factors at family level include “positive relationships” with at lest a caring adult, “spirituality in the household” and “high expectations and encouraging support” from the other family members. Finally, at community or “meso” level, teachers or mentors adopted as “role model”, “school’s high expectations” for children and a “caring and supportive community environment” were proven to foster children resilience. The author concluded that resilience is not a magical skill that only a few have been equipped with, but rather it is developable, trainable and a lifelong transactional learning process based on interaction between risk and protective factors, between the person and the environment (Masten, 2001).

What emerged to be common among the applications in the different fields analysed and, as we will see, is present also at organizational level, is a constant presence of two characteristics: on one hand, *adversity*, a negative situation, high risk or shock, and in the other, the consequent *positive response* of the entity, at individual, group or system level, in terms of stress withstanding and adaptation, of bouncing back from the adversity and, ultimately, in terms of getting strengthened by the adversity (Bonanno, 2012).

1.3 Organizational Resilience: the Traditional approach

Having seen the concept of "resilience", its meaning and major applications, the focus can be now devoted to what is, given the topic of the research, the most attractive stream of research.

The first definition of resilience at organizational level is dated 1982 when Meyer used the term to describe an organization's ability to absorb a "discrete environmental jolt" and to restore "the prior order" recurring to the resources, ideologies, structures and routine that it possesses. Eight years later, Wildavsky (1990) defined resilience as "the capacity to cope with unanticipated dangers as they become manifest, learning to bounce back" (page 5). Wildavsky still ignored the "adaptive" side of the construct and instead focused exclusively on the ability to return to the situation prior to the shock. Differently, Lengnick-Hall and Beckdefined in 2005 defined resilience as the ability of a company "to understand its current situation and to respond with customized actions" (which shall reflect that understanding). In this work of research the meaning of resilience is double: the ability to bounce back after the adversity, thus returning to the same conditions present before the shock, but also the ability of the organization to quickly adapt to the new changed conditions. When exploring past papers on organizational resilience, this feature appear to be widely shared: resilient firms, do not just bounce back from adversities or shocks, but are also able to combine this ability with the one of absorbing the shock and thus to maintain a positive track in the short term (Cameron & Dutton, 2003).

Finally, the last components, the "developable side" of the concept, was added by Vogus and Sutcliffe which defined organizational resilience as 'the maintenance of positive adjustment under challenging conditions such that the organization emerges from those conditions strengthened and more resourceful" (Vogus & Sutcliffe 2007, 3418).

In 2014, Walker et al., in their New Zealand- based research, added a new form of distinction: "*planned*" versus "*adaptive*" resilience. While the first one is exhibited when organizations employ pre-existing plans to avoid or minimize the effect of a crisis, “adaptive resilience” materializes when the organization develops new capacities when responding to the emergent situation. However, given the unpredictability of the environment, the same Walker emphasizes that the adaptive face of resilience is more influential then the planning one. In fact, there are two type of challenges that companies may face as reported by the literature. The fist one are the acute, sudden in occurrence and transient in nature shocks. The others are the chronic and everyday challenges, which persist over time creating an increasing and cumulated negative influence. As for Walker’s findings, “planned resilience”, differently from “adaptive resilience”, is applicable only to the second typology of menaces (chronic) as the fist ones are, by definition, unpredictable.

1.3.1 Factors influencing Resilience in Organizations

As predictable, the literature on the theme is really vast and recognizes several factors prompting resilient behaviours inside organizations. However, it is possible to organize them in nine categories of high importance:

Material Resources

The fist category, unsurprisingly, is the availability of resources. When material resources are present and used strategically, organizations can overcome disruptions. Inside the category, technological and financial resources occupy the lion’s share (Mc Manus et al. 2008).

Planning and Proactivity

Being recurringly quoted by the literature as an attribute of resilient organizations, planning and therefore proactivity makes up the second category. Indeed, business continuity and risk management plans (*planning*) ensure the sustained functioning of at least the core services during acute shocks, no matter if natural (such as floods) or man-made (customers bankruptcy) (Barasa, Mbau and Gilson, 2018). *Planning* is therefore an indispensable attributes of resilient organizations given the fact that, if even the core processes are stopped, the road to recovery is uphill and sometimes definitely closed. More detailed indications on how to effectively plan for times of emergencies were provided by Lapao et al. (2015) which suggested to prioritize the training of workers through pseudo-crisis situation (scenario exercises).

Information Management

There cannot be any planning if the environment is not adequately monitored. The monitoring is achieved through the acquisition of information on competitors and markets, on trends and disruptions and on regulations and political influences (Andrew et al., 2016). Anyway, the role of internal communication should not be downplayed either. Indeed, on one hand strategies, organizational goals and achievements must be effectively communicated across the organization and, on the other, the information silos must be broken down (Stephenson et al., 2010). The key benefit of information management is enhancing the *situation awareness* meaning the ability to spot and act on the early warning signals that precede a crisis (McManus et al., 2008).

Redundancy

Alternative routes to achieve organizational objectives bestows resilience. Put differently, alternative courses of actions guarantee that, when a system experiences disruption or challenges on one pathway, the goal is achieved by mean of an alternative route (Ager et al., 2015). Not only extra possible courses of actions restore resilience, but the same logic can be applied to resources as well. As a matter of facts, including resources or components not strictly necessary for functioning, but that can be exploited during crisis and disruptions, was proven to allow the firm to survive the shocks and to, at least, start the recovery (Pal, Andersson & Torstensson, 2012). The concept of *redundancy* was found particularly relevant by the literature investigating the supply chain resilience (Sheffi, & Rice, 2005).

Governance processes

A number of governance processes were proven to be particular critical in distinguishing resilient companies from the rest. Firstly, *decentralization* allows the systems to be more responsive to changes by mean of a distributed control and flexibility on operations (Booher & Innes, 2010). *Non-linear planning* is also common among resilient organizations because of its evolving and iterative nature, characterized by learning and feedback loops (Barasa, Mbau and Gilson, 2018). Lastly, an essential attribute of resilient organizations was proven to be an high level of *coordination* between parts, units and functions (McManus et al., 2008).

Leadership Practices

Having prepared comprehensive risk management and business continuity plans, is less effective if the leaders, in crisis times, are not dedicated and capable. On the contrary, a clear and shared vision prompted by the leaders foster resilience (Seville et al., 2006). In detail, a shared vision provides a point of direction and stimulates agency among staff during challenges and crises (McManus et al., 2008). Moreover, resilient organizations are characterized by inclusive decision making systems, which include the relevant stakeholders in the decision making process (Kachali et al. 2014). The consequence is that trust, empowerment, motivation and commitment among staff and other stakeholders are enhanced (Pal, Andersson & Torstensson, 2012). Finally, resilient leaders are transparent and, rather than being controlling and directive, play the role of "mediators and facilitators" on the actions of the organization members (McManus et al.,2008; Barasa, Mbau and Gilson, 2018).

Organizational culture

Two cultural practices are referred to as keys to organizational resilience. The fist one is the ability "to view challenges as opportunities to learn" and to develop new capabilities, avoiding any tendency towards denial of problems and potential risks (Walker, Nilakant, & Baird, 2014; Vogus & Sutcliffe, 2007). Secondly, a resilient organization "supports innovation and creativity among its members". This, in turn, implies that, as the ideas offered by employees are considered and not disregarded a priori, their commitment increases, but, also, that the creative ideas, if carefully selected, would help the company to better face the disruption (Stephenson et al., 2010). Organizations can foster the creativity of their members by providing time and resources for experimentations, by promoting a culture of tolerance of failure, by rewarding innovation and finally by nurturing an atmosphere in which employees feel safe to share new ideas (Barasa, Mbau and Gilson, 2018).

Human Capital

All the major works of research recognize the vital role that human resources play in building resilience in organizations. First of all, obviously, the number and the skills of the human capital must be adequate (Ager et al., 2015). Nevertheless, it was proven that commitment and motivation of workers are more important than their number and skills (Heese, Kallus and Kolodej, 2013; Walker, Nilakant, and Baird, 2014). Indeed, in times of crisis, it is not uncommon that workers are asked to undertake challenging working shift arrangements, additional responsibilities or even to accept delays in the payment of salaries. Evidently, these are requests that a committed worker will accept more promptly than one sharing with the company only a financial relationship (Macey and Schneider, 2008). Workers' engagement and commitment is facilitated by a prioritization of staff wellbeing and, in turn, this is achieved by mean of creating a positive social environment. A positive social environment is one where staff are free to express emotions and share information, where employees are listened, where the managers grant flexibility around the workers' needs and where employees are provided with resources adequate to match their needs (Walker, Nilakant and Baird, 2014). On the contrary, when managers lack emotional intelligence, the engagement, dedication and commitment of the workforce are depleted (Barasa, Mbau and Gilson, 2018).

Social Capital (Networks)

Collaborating with entities outside the company's walls is, at least, equally important as the internal cohesion. In fact, since no entity can work or survive alone, recurring to the network is not just an option available, but rather it is a necessary condition to be competitive, prosper and survive major crisis (Kachali et al., 2014). Social capital provides the opportunity to share information, knowledge and innovations, to learn, to keep under control the environment, to exploit synergies and partnerships, to expand the pool of resources that can be drawn and to exercise pressure on the public authorities (Ager et al., 2015; Andrew et al., 2016; Seville et al., 2008; Kachali et al., 2014; Lapao et al., 2015; McManus et al., 2008).

The nine categories of factors mentioned above can be understood as a coherent and unique pathway towards resilience (Barasa, Mbau and Gilson, 2018). "Human capital", "organizational culture", "leadership practices" and "governance structure" are strictly interrelated with each others as the commitment of employees depends on how the leaders treats their workforce, on the presence of an empowering culture, on the flexibility of the structure. The same is true for "organizational culture", which strongly depends on what the leaders deem appropriate, but also depends on the characteristics of the workforce. Moving to the "governances structures", they clearly, once again, are the consequences of the choices of the leaders but they also depend on the trust among members of the organizations. Moreover, "information management" is influenced by "organizational culture" and the "human capital" as well. For example, committed workers can informally help the company in the risks spotting process and an high level of coordination can make the flow of information faster when needed (Seville et al., 2008; McManus et al., 2008).

To sum up, given the pervasiveness and the multi-level nature of resilience, there are many options, available in different aspects of the firm, to intervene. Some of them are related with the buffering in case of potential threats ("resources availability", "adequate planning", "human and social capital"), others involve the response given to the threat ("information management", "leadership practices", "flexibility"), while other are influential in both cases ("organizational culture", "governance processes"). In any case, a fix point is that organizational resilience is clearly something more than the mere sum of individuals' resilience and that, more importantly, there is always room for its improvements at individual, group and system level.

1.4 Organizational Resilience: the Positive Psychology approach

It is impossible to assemble a complete report on the concept of "*Resilience*", in general or with regard to organizations, without considering the contributions of the "Positive Psychology" and the related disciplines.

While the traditional approach is rooted on commonly known studies on "Organizational Behaviour" or "Human Resources Management", the "*positive*" approach to resilience is naturally related to the "Positive disciplines", which, although gaining popularity at high rate, are still mostly unknown and therefore deserve a brief overview.

1.4.1 The Positive disciplines

Since the end of World War II, due to the shift in the employment opportunities toward the treatment of mentally ill patients, the main focus of psychology has been the study of the negative deviance of human mind (Bazar, 2015). The, nearly exclusive, attention to pathology disregarded the idea of a fulfilled individual and of a thriving community, and neglected the possibility that building strength is the most potent weapon in the arsenal of therapy (Snyder & Lopez, 2002).

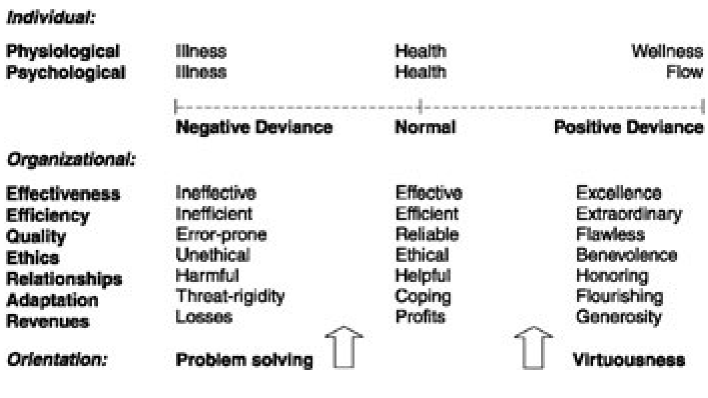
However, things had not always been that way: before WW2 the mission of psychologists had been both to help the mentally ills and to improve the lives of "normal" people, making them more productive, happier and better contributors to the society (Snyder & Lopez, 2002).

The (re)-turning point was the election of Martin Seligman as president of the American Psychological Association (1998). Seligman (1998a, 1999, 2002, 2004, 2005; Seligman & Csikszentmihalyi, 2014) is generally considered the founder and the spearhead of the "positive psychology movement". Shortly after being elected, he claimed his 5 years old daughter triggered in him an epiphany: one day, while playing in the house backyard, she said: " when I turned five, I decided not to whine anymore […] and if I can stop whining, you can stop being such a grouch" (Seligman & Csikszentmihalyi, 2000, p. 6). Supposedly, in that moment Seligman realised that raising children or studying people is much more than just the examination and the fixing of what is wrong with human beings, but rather that there is an unexplored universe where the baseline is identifying the strongest characteristics of individuals and nurturing them so to help people live their best lives (Seligman & Csikszentmihalyi, 2000).

As predictable, there has been a tendency to view "*positivity*" and "*positive psychology*" as a mere and almost childish wish for a better world, unanchored to the reality and lacking of any empirical support (Seligman & Csikszentmihalyi, 2000). As a response, Seligman personally, and a core group of other well-known positive psychologists such as Ed Diener (2000), Christopher Peterson (2000, 2003), and Rick Snyder (2000) set the dual goal of providing the theory and the empirical base needed to support the credibility of the doctrine.

The new focus was on the strengths that humans posses (as opposed to weaknesses), to be interested in resilience (as opposed to vulnerability), and to be concerned with enhancing and developing wellness and prosperity (as opposed to the remediation of pathology) .

Figure 1.1 *The positive deviance of Psychology*



Source: Cameron, Dutton (2003)

Accordingly to the scope of the research, particularly interesting are some famous organizations which are already applying the findings of "Positive Psychology". Just to mention three of them, the biggest employer in the United States, namely the US Army (USAR, Comprehensive Soldiers Fitness) the tech giants Google (MBA Knowledge Base, 2013) and the analytics and advisory company Gallup (Gallup, Positive Psychology) are all directly applying or providing specialised consulting based on the findings of the positive disciplines.

Positive Organizational Behaviour and Positive Organization Scholarship

Positive Psychology has revealed to be highly versatile. From clinical psychology, to education and relationships management, many are the fields that exploited and deepened the findings of the researches on the field. But two of them, "Positive Organisation Behaviour" and "Positive Organization Scholarship", are, given the purpose of this dissertation, singularly fascinating.

The term "Positive Organizational Behaviour" was firstly coined by Luthans as "the micro-level and state-like study and application of positively oriented human resource strengths and psychological capacities that can be measured, developed, and effectively managed for performance improvement in today's workplace" (Luthans, 2002a, p. 59).

The author in the definition stated four criteria that must be met in order to include a psychological resource or capacity as a POB construct:

-*Based on theory and research*: the biggest difference between the POB and the general positive, self-help literature lacking any research back-up such as the classical "*Who Moved My Cheese?*" (Spencer Johnson, 1998) is the presence of a theoretically sound base and empirical research;

-*Measurable:* related to the previous point, in order to develop a reliable theoretical base the constructs must be measurable and the scale must be valid and reliable;

-*Open to development or "state-like":* the POB capabilities are states and thus open to learning, development, change, and management in the workplace. The POB states can be developed through training programmes, managed on-the-job, or self-developed (Luthans, 2002);

-*Managed for performance improvement*: POB is concerned with the workplace and how the psychological resources ("Psychological Capital") can be applied to improve human performance, that of both leaders/managers and of human resources in general.

Returning to the scope of this research, it is clear, but was also stated by same the author, that "Organizational Resilience" meets all four conditions to be identified as a "Positive Organizational Behaviour's construct".

Related to the concept of "Positive Organization Behaviour", and strongly in debt with the "Positive Psychology" science (Dutton, Glynn and Spreitzer, 2005), stands the research on "Positive Organization Scholarship". POS differs from POB in the fact that is oriented at studying group-level dynamics while POB is naturally focused on individuals. The term "POS" was coined in 2003 by the University of Michigan professor Kim Cameron which, together with the colleagues Jane Dutton and Robert Quinn, set out to research what factors lead to "especially positive outcomes, processes, and attributes of organizations and their members" (2003, page 3). Positive Organizational Scholarship (POS) does not reject the value and significance of profit, competitiveness and, on the opposite, recognizes how they are necessary in order to allow the firm to survive. But, at the same time, similarly to POB, the researchers set for themselves the goal to study phenomena which represent a *positive deviance*. In fact, POS directs its attention on dynamics that are typically described by words such as "excellence", "thriving", "flourishing", "abundance", "resilience", or "virtuousness" (Cameron and Dutton, 2003). To better understand the domain of the POS movement, an analysis of the three concepts composing the label is highly helpful:

Positive: POS states that is crucial to focus on positive states and positive dynamics as a corrective to the hard-wired human tendency to pay attention to the negative more than the positive (Dutton Glynn and Spreitzer, 2005);

Organization: the main domain of application of POS is the organization. The range of experiences that have been examined includes the financial performance of "virtuous firms", the effects of "job crafting" and "meaningful job roles", the development of "enabling relationships", the "strengths based approach" and how resilience is nurtured and exhibited;

Scholarship: what makes this school of though worth studying and applying is the presence of a strong back up for the concepts proposed. In other words, the POS doctrine provides the empirical credibility and the theoretical explanations for every concepts proposed. Moreover, POS covers the full spectrum of activities involved in the field of scholarship, namely "the research", "the teaching" and "the application" (Cameron and Dutton, 2003). The focus areas of POS research include four main broad and interrelated fields: "developing strengths and resilience", "creating meaning and purpose", "developing positive relationships" and "building positive emotions" in the workplace (Dutton Glynn and Spreitzer, 2005).

1.4.2 Organizational Resilience in the Positive disciplines

Among the three disciplines, two, namely "Positive Organization Scholarship" and "Positive Organization Behaviour" directly tackle the matter of organizational resilience. Nevertheless, the lens adopted, along with the concepts deployed, are the direct consequence of what "Positive Psychology", the father discipline, discovered.

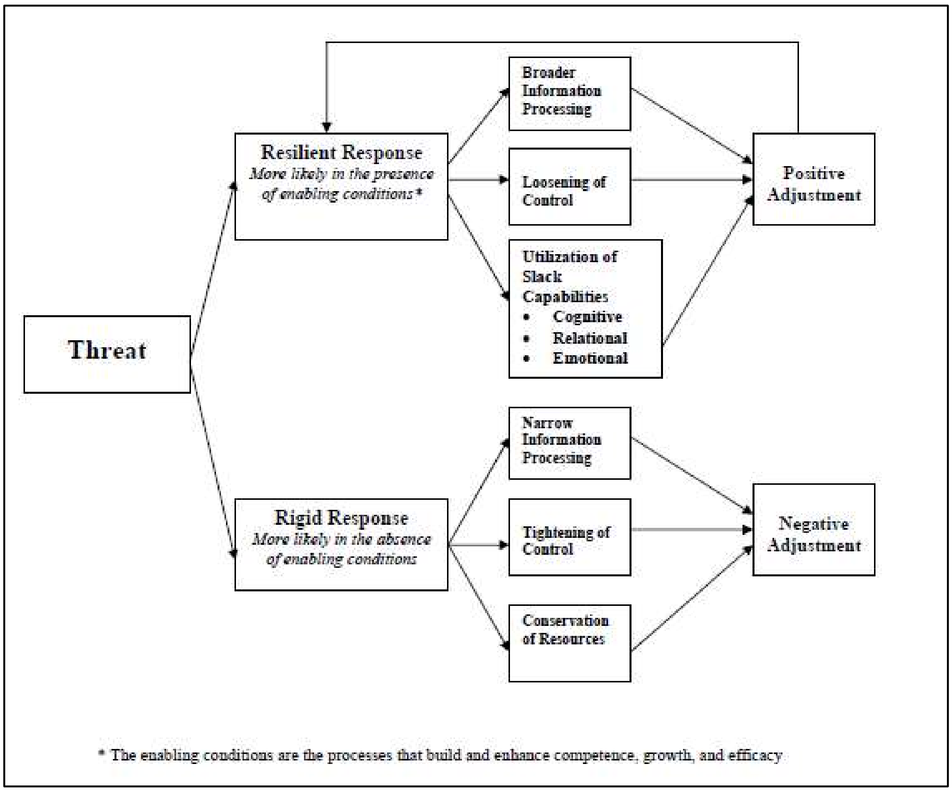
Organizing for Resilience (2003)

The most valuable paper in the field of organizational resilience, a milestone for the POS doctrine and very often quoted by scholars belonging to the "normal" school of thought, was written by Sutcliffe and Vogus in 2003 and published as part of the book "Positive Organizational Scholarship" (2003). Interestingly, the paper is particular appropriate for the current period. As a matter of facts, even if dated back in 2003, when describing the need for resilience, the researchers reported how organizations have to face "increasingly complex and incomprehensible environments [...] where the unexpected is an increasing portion of the everyday" (Sucliffe and Vogus 2003, 7).

Beside the increasingly unpredictable environment, the triggering factor of the research was the unanimous focus of the scholars of the time on the negative. On the contrary, this specific stream of research is built on the vigorous rejection of the idea that maladaptive processes – the companies' "negative" response to adversities – are deterministic and thus unavoidable.

The bottom line of the whole investigation, proving the influence of Masten, is that resilience is nurtured every time a new challenges is overcome. Also, in contrast with what it was often assumed, resilience emerges from relatively ordinary and positive adaptive mechanisms. Operationally, resilience originated from the processes, structures and practices which "promote competence", "restore efficacy" and therefore "encourage growth". However, even if the ones mentioned above are ordinary processes, they do not necessary occur in all individuals, groups, or organizations. Rather, there must be a proactive, mindful ad deliberate tension toward the creation of competence and the restoration on efficacy. Those processes are explained in detail later, distinguishing between individual, group and organizational level. In general, maladaptive tendencies can be averted if organizations, their units and members are able to generate "dynamics which create or retain resources (cognitive, emotional, relational, or structural) in a form sufficiently flexible, storable, convertible and malleable to give rise to resilience" (Sucliffe and Vogus 2003, 2).

Figure 1.2 *Resilient and rigid response to threats*



Source: Sutcliffe and Vogus, 2003

The dynamism of the construct is recognized to the point that the resilient behaviour demonstrated in one situation is not automatically supposed to be sustained over time or transferred to other circumstances or challenges. Furthermore, evidently, viewing resilience as an evolving process implies the presence of latent resources that can be, every needed time, activated, combined, and recombined to face the new arising challenges. Even more interestingly, describing resilience as a process has another consequence: after every crisis the organizations bounces back "strengthened and more resourceful" (Sucliffe and Vogus 2003, 2) and therefore more resilient.

To positively tackle everyday and extraordinary challenges, companies need to display resilience at three levels: "individual", "group" and "organization".

Resilience at individual level

There are two building blocks, which both arise from the Positive Psychology research, needed to create resilience at individual level in the workplace.

The first is the access to "adequate resources", in terms of quality and quantity, to generate competence. Those resources are grouped in four subgroups, namely human, social, emotional and material capital. Secondly, the authors report that when an individuals' "mastery motivation" system is mobilized, resilience is enhanced. That is to say that experiences that allow the person (worker) to encounter success, build self-efficacy and motivation are the ones which equip the individual with the ability to withstand stress and to react to adversities (Masten & Reed, 2002). Those experiences are essentially the ones where the workers can exercise behaviours such as judgment, discretion, and imagination (Luthar et al., 2000; Masten, 2001), when employees and manager have the possibility to make and recover from mistakes (Dweck, 1986) and finally when they have the opportunity to observe role models which demonstrate these behaviours (Sternberg & Kolligian, 1990).

Resilience at group level

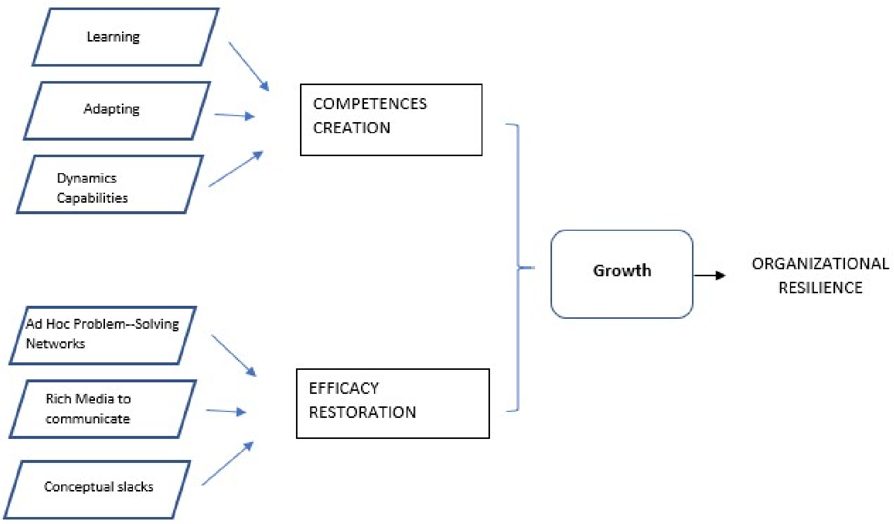
The processes leading to resilience in groups are the ones focused on factors that "promote competence", "restore efficacy" and thus "encourage growth". Fist of all, competence, similarly as for individuals, is generated when abilities are viewed as malleable and the group seeks out challenges and opportunities to learn (Dweck & Leggett, 1988). Likewise, it is essential to describe mistakes as a natural and necessary part of the competences building process. In fact, accepting the mistakes implies that the members readily tackle failures, derive more insightful solutions and persist in the face of hardships (Wood & Bandura, 1989). In addition to this, clearly, the competence building processes is facilitated when the team is already varied in term of members and past experiences

With regard to "collective efficacy", it is referred to as the members' beliefs in their collective ability to accomplish goals as a group. It can be enhanced by the knowledge and competencies of the members of the group, by how the group is structured and its activities coordinated, by how well the group is led, by the strategies it adopts, and by how its members interact with one another (Bandura, 1998). Natural consequences of collective efficacy are the improved persistence of group members and their higher level of effort which, in turn, lead to resilience.

Resilience at organization level

At company level, resilience is strictly related with "organizational learning", "organizational adapting" and the "dynamics capabilities" of the company. On the opposite, organizational resilience is hampered whenever phenomena such as "rigid response to threats", "rigid job descriptions" and "centralization*"* occur.

Figure 1.3 *Resilience at organizational level*



Source: own elaboration

As for "competences creation", given how the perspective adopted is dynamic, it is essential for companies to learn from mistakes and to process feedback as to emerge from the crisis stronger, but it is also crucial to be able to flexibly rearrange resources and to transfer knowledge (adapting) in order to rely on a broader array of possible courses of actions in the moment. Anyway, given the heavy emphasis of literature on adequate planning, the ability at company level to improvise -applying "dynamics capabilities" - is often underrated.

However, before that, it is also critical to exercise "mindfulness", or the ability to identify and act on unexpected threats before they escalate out of control (Weick and Quinn, 1999). Moving on with the graph description, company's dynamic capabilities are the set of processes which generate, recombine and deploy resources. The processes, in detail, can be internal, like product innovation, adequate strategic decisions, or external like the creation and nurturing of alliances with partner firms (Eisenhardt and Martin, 2000).

On the other hand, resilience is created whenever efficacy is restored. Efficacy is more likely to be restored when organizations develops norms, structures and practices that contribute to three different features or capabilities, namely "conceptual slacks", "ad hoc problem solving networks" and "rich media to communicate". As to start, the presence of conceptual slacks means that organization's members possess different analytical perspectives about the organization's technology or production processes and that such diversity of knowledge, past experiences and opinions leads to information exchange and respectful questioning of what is happening. On the other hand, problem solving networks are the consequence of the presence of a strong social capital where the firm can tap into for needed insights and assistance. The feeling of efficacy is therefore restores as the firm, having access to additional external resources, can cope with a broader array of interruptions than their stock of resources may indicate. With regards to the presence of rich communication media and thus communication inside the company, efficacy is restored whenever information is redirected towards members with decision power and also, on the opposite, when the agents with enough information are given the decision making power.

Organizational Behaviour

The second work of research that will be reported, the one of Fred Luthans, is also strongly rooted in a "state-like" approach to resilience. Fred Luthans, an ex Captain of the U.S. Army and distinguished professor at the University of Nebraska–Lincoln, gave life to, as reported in the previous paragraph, "Positive Organization Behaviour". The book "*Organizational Behaviour*" was fist published in 1973 and then continuously updated including the new concepts continuously emerged during the years. The chapter on "*resilience*" (nr. 7) is found for the first time in the twelfth edition, published in 2011.

At individual level, no big differences between POB and Positive Psychology on resilience are found. In fact, resilient individuals, accordingly to Luthans, are characterized by "a staunch acceptance of reality; a deep belief, often buttressed by strongly held values, that life is meaningful; and an uncanny ability to improvise." Furthermore, those attributes are deemed developable and, most of the times, developed during the life on an individual.

However, the work of Luthans is strongly biased towards the study of resilience in the workplace and, in fact, as he reported, not only employees and manager can benefit from resilience in times of downsizing, stress, burnout and economic turbulences, but organizations taken as a whole can no longer expect to survive and flourish without such ability.

At company level, beside the degree of resilience of its members, the recognized factors which contribute to resilience are a strong set of organizational values, a shared mission and a powerful vision. As a matter of facts, a resilient corporate culture is reinforced whenever a sense of community, purpose and direction are created, exactly what happens when common and strong values, vision and mission are present. Furthermore, at a more material level, organizational learning and adaptability and therefore resilience, can be enhanced through adequate strategic planning, a widespread use of teamwork, decentralization, open communication and ultimately employees involvement.

How Resilience works

Similarly to the previous authors, Cotou on her article published in the Harvard Business Review (2002), focusing more at the individual level of analysis, but still exploring concepts very similar to the ones of Luthans, indicated three necessary points to define an entity as resilient:

- A complete acceptance of reality, meaning a down-to-earth view of the parts of reality that matter for survival of the organization and the creations of plans for enduring and surviving during extreme difficulties;
- A "bulletproof belief" that life makes sense, expressed by a strong set of values, an active search for meaning and a rational optimism for the future;
- An "extraordinary ability to improvise". Given how the environment is unpredictable, this core skill is clearly needed in individuals, but is also a not-negotiable capability for organizations which strive for long-term survival.

The author specified how all the three conditions need to be satisfied concurrently to observe resilient behaviours. Moreover, interestingly, the author suggests how resilient people inside an organization could become an obstacle in the path towards organizational resilience if they, instead of following the shared values, survive on their own.

1.5 The context of Small and Medium Enterprises

The 99% of the European firms have micro, small or medium size and therefore constitute the backbone of the economy (European Commission, 2018). The majority of them are also family businesses (Zellweger, 2017). Consequently, as reported by the European Commission (2018), SMEs and family businesses were and will be the main source of economic growth and employment in the Union. Despite the widespread recognition by scholars and institutions of their importance, SMEs are still, in general, more fragile than their bigger counterparts. Schrank et al. in 2013 found that one out five (approximately 20%) of the SMEs close within five years after they have been affected by a natural disaster. On the same line, Marshall et al. (2015) discovered that women and minorities-led firms have a consistent higher probability to fail. In order to understand the reasons of their higher rate of failure, past scholars have pointed out what are the key weaknesses, or conditions of disadvantages, that characterize SMEs, but they have also suggested which are the levers that entrepreneurs can employ to see their firm flourish.

1.5.1 Characteristics of SMEs

The first commonly quoted weaknesses is "market failure": small companies have hard times approaching the market in terms of complying to regulation, investing in R&D and therefore in innovating and in attracting capitals (Institute for Family Business, 2018). Secondly, the "level of management and technical skills" is generally lower than in big corporation and the inability to attract and offer competitive pay to young talents worsen the situation (Sullivan-Taylor and Branicki, 2011). In addition, the "knowledge about the opportunities available", for example on international expansions, is more limited than for the bigger cousins (Lee et al., 2015). Last of all, clearly, SMEs possess a "narrow customer base" (Smallbone et al., 2012), "limited access to resources" (Lee et al., 2015) and "lower bargaining power" (Bhamra et al., 2011).

However, even if SMEs suffer their bigger counterparts in many fields, they can rely on some advantages. The two biggest strengths, unsurprisingly, are "*adaptability*" and "*flexibility*" (Gunasekaran et al, 2011). The limited number of employees, their restrained dimensions and their undercapitalization make SMEs' more dynamic and, consequently, faster to adapt (Herbane, 2019). Moreover, according to Bhamra et al (2011), they possess higher possibilities to influence their own performance and survival than their bigger bureaucratic counterparts. In addition, traditionally SMEs are the leader in both "*product quality*" and "*time to market*", two widely recognized indicators of competitiveness (Gunasekaran et al, 2011). Moving to the delicate terrain of "resourcefulness", although they cannot compete in financial, material or technological terms, SMEs can often rely on a mix of familiar and organizational resources and thereafter, in particular circumstances, are more likely to survive and prosper (Haynes et al., 2011). Finally, when they are able to forge relationships and synergies with other SMEs and institutions, many of the disadvantages that the SMEs naturally face, are overcome. (Gunasekaran et al., 2011).

The European economies have always been recognized for the importance of their small and medium enterprises and, in fact, since the beginning of the financial crisis in 2008 and until 2017, despite the adverse economic conditions, the number of SMEs had increased by a stunning 13,8%, being the main contributor to the recovery and expansion of the economies of the Union (European Commission, 2018). According to the same report, in the period 2008-2017, non-financial SMEs accounted for the 47% of the total increase in the value added generated and for 52% in the cumulative increase in employment.

Given both the importance of SMEs for the economy and their inherent weaknesses, the European Union has continuously sustained its small and medium enterprises through many initiative, the biggest one being the "*Small Businesses Act*", a 10-year long program aimed at the development of SMEs (European Commission, 2018). The program is articulated into 10 principles which space from making public administrators more responsible towards SMEs to provide faster times for bankruptcy; from facilitating the upgrade in skills in small companies to help SMEs benefit from the EU's single market; but also from facilitating the access to finance to help SMEs turn environmental challenges into opportunities (Tunisini et al., 2014).

1.5.2 Resilience in SMEs

First of all, evidently, all the competitive weaknesses and strengths mentioned in the paragraph above influence resilience: "R&D intensity", "ability to attract human capital", "financial strength", "resources availability", "dimension", "bargaining power", "internationalisation", "agility" and "flexibility" are all features highly influential when normally competing with other organizations, but they can also help or hinder the company resilience when there are unexpected and adverse events to overcome (Gunasekaran et al, 2011).

The essential distinction between the resilience exhibited by big multinational companies and by small and medium enterprises is the approach itself. As a matter of facts, SMEs often do not possess the resources and capability to plan and prepare for future crisis (Herbane, 2010). Therefore they rely on their ability to adapt quickly to the new changing conditions ("short-termism"). Nevertheless, it was demonstrated (Herbane, 2010; Battisti and Deakins, 2017) that adequate, proactive planning and preparation would increase the resilient properties of SMEs. Coming back to the resources available, SMEs' resilience is jeopardized by their weak financial position and by the difficulties in rising additional funds (Ates & Bititci, 2011). However, the strength points of SMEs, mainly "*agility*" and "*rapidity*", can be leveraged, not only to effectively compete with bigger rivals, but also to improve the ability of the organizations to react to adverse and unexpected events (Sullivan-Taylor & Branicki, 2011). Indeed, the research of Herbane (2019) demonstrated how smaller firms better cope with natural accidents, sabotages, equipment defects and all the other sources of unpredictable failure. The reason, suggested by Branicki et al.(2018), is a shorter chain of decision-making and therefore faster responses to crisis. Danes et al., in 2009, reviewing the literature, found six specific factors that positively influence organizational resilience in small enterprises: "adequate risks perceptions", "sufficient information on potential risks", "streamlined organizational structure", "presence of continuity plans", "participation at community planning activities" and "the professional accreditation of the department engaged in managing the environmental crisis". To these factors Hilmerson (2014) adds the "level of internationalisation", that, probably because of the varied experiences gained, the diversification and the scope economies, was demonstrated to improve SMEs' resilience. Bahmra in 2011, found that the shared feature of resilient SMEs are "flexibility", "motivation", "perseverance" and "holistic positivism". While there is no need to explain the first three characteristics, "holistic positivism" represents the strong focus that the entrepreneurs have on pursuing their ambitions and future goals.

Coherently with the findings of Bahmra and given the size of the firms, a prominent role is directly played by their leaders, the entrepreneurs. The effects of the leadership style on business resilience described in § 1.3 are naturally applicable to the figure of the entrepreneur as they are to managers. Hence, a dedicate and capable entrepreneur, acting as a "caring and transparent leader" and which is able to prompt "a shared vision" among the people belonging to his firm will build an organization characterized by "commitment", "engagement" and, therefore, by "resilience" (Branicki, 2018). In addition to this, entrepreneurs are, on average, more resilient than the normal population (Fisher et al, 2016) and able to transmit this quality to their organizations (Ayala and Manzano 2014). According to De Vries and Shields (2006) "flexibility", "motivation", "perseverance" and "optimism" are the sources of this enhanced entrepreneurial resilience.

1.6 Measuring Organizational Resilience

1.6.1 Resilience as a latent resource

Organizational resilience is commonly described as a latent resource, activated when the company has to face new crisis. Consequently, until that moment, supposedly, resilience could not be properly measured. Nevertheless, many scholars, in an attempt to provide a guidance to companies on how to organize themselves and to help said companies to measure their resilience levels *before* the adversity occurs, proposed some measurements of organizational resilience based on the traits and characteristics that resilient firms were proven to usually exhibit. In this perspective, Mallak (1998) was one of the firsts to dimensionalize the construct. He organized resilience under the six dimensions of “goal-directed solution seeking”, “risks avoidance”, “critical understanding”, “role dependence”, “source reliance” and “resources access”. For every dimension he also provided a scale of measurement and the model was then proven reliable by the research of Somers in 2009.

However, the two most notorious researches on resilience as latent resource were produced by Lee in 2013 and McManus in 2008, in both cases with the contribution of V. Vargo and S. Seville.

McManus acknowledged three big indicators of organizational resilience: “situation awareness”, “management of keystone vulnerabilities” and “adaptive capacity”. While “situation awareness” describes having (or lacking) a clear picture of which parts form the organization and which external parties interact with it, “management of keystone vulnerabilities” refers to being able to maintain under control the critical components, tangible or not, of an organization, the ones potentially able to cause destruction. Example of critical components to keep monitored are the supply chain, IT infrastructure and the relations among members. Lastly, “adaptive capacity” is a measure “of the culture and dynamics of an organization that allows it to make decisions in a timely and appropriate manner, both in day-to-day business and also in crises” (page 83). In other words, “adaptive capacity” describes how the firm proactively withstands stress by mean of its altering strategy, decisions and governance structure.

Figure 1.4 *The model of McManus*

Situation awareness	Management of keystone vulnerabilities	Adaptive capacity
Roles and responsibilities	Planning strategies	Silo mentality
Understanding and analysis of hazards and consequences	Participation in exercises	Communications and relationships
Connectivity awareness	Capability and capacity of internal resources	Strategic vision and outcome expectancy
Insurance awareness	Capability and capacity of external resources	Information and knowledge
Recovery priorities	Organizational connectivity	Leadership, management, and governance structures

Source: McManus et al., 2008

On the other hand, Lee wanted to provide an empirically demonstrated base for the model proposed by McManus. The author also explained why measuring resilience can serve to satisfy four organizational needs:

- the need for leading, and not lagging, indicators of resilience;
- the need to demonstrate the progress made toward becoming more resilient;
- the need to link organizational resilience with competitiveness;
- the need to demonstrate a business case for resilience .

To fulfil the four needs mentioned above, the author used a model based on a questionnaire composed by fifty-three items, each one proved significant in the empirical analysis he had previously conducted . Each item is evaluated on an eight-point scale by the respondents and then the fifty-three items are grouped into thirteen indicators. The indicators, which will be then summed to each others, represent features such as “minimization of information silos”, “innovation”, “planning strategies”, “assuming a proactive posture”, “staff engagement” and “leadership”. The thirteen indicators are finally grouped in two categories, that together embody the definition of organizational resilience given by the author: “*Adaptive Capacity”* and “*Planning”*.

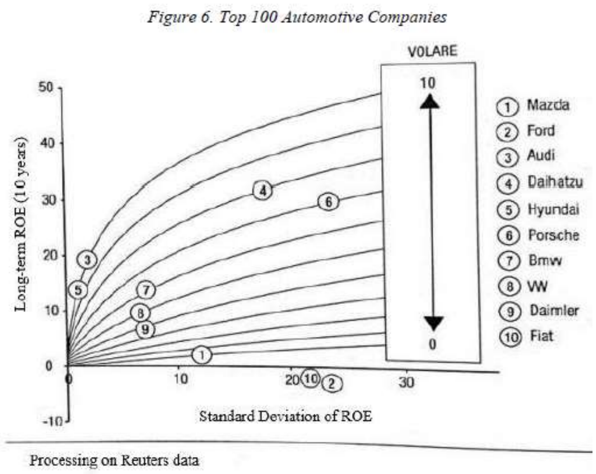
1.6.2 Resilience as a post-trauma measure

Another school of tough developed upon measuring resilience on firms which were already exposed to shocks. In those case, data on losses and recovery were available and a more quantitative approach was therefore possible.

Dalziell and Mcmanus (2004) suggested to use “Key Performance Indicators” to measure resilience. However, KPIs depend on the company since they must relate to the company’s specific objectives. Example of such indicators are “Cash Flow”, ”EBIDTA”, “COGS” and “sales per region”. On the same line, Watanabe et al. (2004) proposed to use the “Operating Income to Sales ratio” to measure resilience: if the sales, or turnover, come from the operating income, so the company is in good shape because its generating revenues from the core business. Otherwise the sustainability of the firm is compromised as the revenues are generated by extraordinary and probably occasional activities.

Similarly, but following a more stock-based approach on listed companies, Pirottia and Venzin (2014) suggested to measure resilience taking into account “ROE” and the “volatility” (standard deviation) of the title price (VOLARE).

Figure 1.5 *The VOLARE model*



Source: Pirotti and Venzin 2014

As shown in the figure, the level of business resilience is represented by where the long-term ROE values, connected through a logarithmic regression to their volatility range, lay. The highest resulting curve will be called VOLARE 10 and the companies that will be on this curve will be the most resilient, while the most distant ones will exhibits the lowest resilience levels (VOLARE 0).

In any case, the more accurate indicators are the ones that directly measure the ability of the firm's operations to withstand stress and to recover from adversities. Thus, resilience is assessed as the capacity to prevent and mitigate the effects of disruptive events on the business operations, but also to fast and fully recover from the disruption. For each perspective, several metrics can be identified.

"Time to recover", measured as the time needed to regain the sales lost so to reach the same turnover as before the shock, appears as a unit of measurement of resilience in the research of Erol et al. (2010), together with "initial vulnerability" and "potential loss averted". The authors however did not provide indication of what we should evaluate to measure loss and recovery.

In the same year, Henry and Ramirez-Marquez (2010) studied the level of recovery of the organization measuring it against losses. The quotient "Recovery to Loss", measured as the amount of sales the company regains after the disruptive event divided by the deterioration from the original state after the disruption, is the measurement of the resilience generated. However, the same authors recognize that the absence of a measure of the time needed to recover impairs the result of any analysis conducted using such indicators.

Finally, the most comprehensive outcome is the one of the research conducted by Rose and Liao in 2005. In their measurement of systemic resilience, the authors used the sum of one quotient measuring "failure probability", another quantifying "the reduced consequences from failure", and, finally, one indicator of "reduced time to recover". However, the authors were analysing the systemic resilience of the Portland water supply and the metrics employed were very sophisticated, based on a *Computable General Equilibrium (CGE)* parametric model. This means that the methods applied are not appropriate for the business world, mainly because of the absence of detailed quantitative data, which were instead present for the water distribution system model (leaks, flow rate, amount of stocks, other substitutes inputs..). Anyway, what we can transpose from the research of Rose and Liao into the study of organizational resilience is the theoretical framework, namely the three indicators of resilience adopted ("failure probability", "the reduced consequences from failure" and "reduced time to recover").

In summary, given the double nature of resilience defined as a) the ability to foreseen and absorb shocks and b) the ability to bounce back from adversities, the literature commonly recognizes at least two possible dimensions to effectively describe the resilient qualities of a company: a) the measure of the loss avoided thanks to the planning and the quick adapting and b) the measure of the capacity of rapidly and fully recover from the incident.

1.7 The need for Resilience nowadays

Even before the spread of the biggest pandemic of the century, *Covid-19*, scholars were already arguing that the world had become unpredictable, that the environment shifted from a foreseeable and stable pace to a discontinuous and fast one and that the complexity of the challenges had risen (Ayala, and Manzano, 2014; Haynes et al., 2011; Ates and Bitici, 2011). Just to name few, natural disasters such as floods, hurricanes, earthquakes and even tsunamis and volcano eruptions, terrorist attacks, violent protests and looting, political (Brexit) and economic (2008 financial crisis) shocks are becoming both more frequent and severe. In addition to this, given how there is no enterprise that can no more resist in this interconnected world as and independent entity (Bahamra, et al., 2011), a minor shock in a distant part of the world can now generate serious and unexpected repercussions to many distant actors.

In any case resilience was proven to be useful in “smooth” periods, too. A study conducted by Vargo & Seville (2010), found how resilience and competitive excellence share many features, as reported in the following table.

Table 1.1 *Comparisons between Resilience and Competitive Excellence*

Features of Resilience	*Features of Competitive Excellence*
Situation awareness and vulnerability management	Knowing your competition and environment; a robust capital structure
World class organizational leadership and culture	A cohesive culture of quality; responsibility and service; outstanding leadership; an extraordinary commitment to customers
Agile adaptive capacity	Being quick to respond when things change

Source: adapted from Vargo and Seville 2010

The table describes how, unsurprisingly, resilient firms and companies displaying competitive excellence share many of the same features. For instance, “situation awareness”, or the ability to interpret information about the environment and understand what that information means for the organization, although refereed as “knowing your competitors and environment” is a trait present in both resilient and highly competitive firms. The same parallelism is true for “agile adaptive capacity”, ”vulnerability management” and for “organizational leadership and culture” (Vargo & Seville, 2010). On the same line, Mitroff (2005) proved how, as smart organizations proactively engage in “crisis management practices” (the planning component of resilience) both in times of crisis and in good times, an higher number of adversities are prevented and, consequently, the companies are considerably more profitable in the long run.

1.7.1 The VUCA world

In order to describe the world in which we seem to live, generally referred to with generic terms such as “unpredictable”, “unstable”, “discontinuous”, “complex” Bennett and Lemoine (2014) devised the acronym “*VUCA*”. The need for the acronym and, of course, for the theory underneath of it, arises from the misleading conception that “Volatility”, “Uncertainty”, “Complexity” and “Ambiguity” are all synonyms to generally indicate an unpredictable world. As a consequence, and this is the second reason explaining the need for defining “VUCA”, the responses of managers and companies are broad and not specific to every one of the four situations, with leaders generally proposing “to increase flexibility”, “to innovate” or “to be more creative”. In addition, if managers do not divide the “VUCA world” in its components, they can assume they do not have tools to deal with future issues and, ultimately, that long-term planning and strategies are useless. To remedy to this, the four constructs are defined:

Volatility: it defines an unstable situation or condition, something that can change all of a sudden. Nevertheless, the presence of volatility does not imply a complex, ambiguous or uncertain situation. In order to deal with a volatile environment manager need to quickly spot and understand threats and opportunity and answer to them with agility;

Uncertainty: it is present when there is lack of knowledge, scarcity of information around a situation or when it is difficult to interpret information. To remedy to uncertainty, managers need to fill the knowledge gaps gathering information and establishing methods for collecting, interpreting and sharing data. “Uncertainty” and “Volatility” differs inasmuch an uncertain situation may be stable over time;

Complexity: it is observed whenever the agent is unable to handle different sources of information or to understand the connections among them. To properly fight complexity, a firm need to carefully allocate resources, employing them efficiently and effectively. Moreover, in a complex environment, a firm needs to adapt and to evolve accordingly to its size, scope and external conditions. Complexity is not tied to "Volatility" or to "Uncertainty" because, as explained, it refers only to the difficulty to elaborate and understand an overwhelming amount of information and not to a fast changing environment or to the struggle to get access to new intelligence;

Ambiguity: it regards situations where the cause-effects relations are not clear and neither straightforward. Most of the times, the reason is that a similar situation had never occurred in the past. Typical examples of ambiguous situation are the launch of a new product or the penetration of a new market. Not only "ambiguity" is different from the other attributes, but trying to apply the methods used to solve, for example, uncertain or complex situations may be counterproductive as it is simply impossible to gather information and to make comparisons if the situation never happened in the past.

1.7.2 Emerging contexts of application of Resilience

New specific and relative recent sources of disruption are nowadays requiring big corporations and SMEs to be resilient.

Riots

Over 2,000 commercial premises across London and other English cities were looted, vandalised and/or burned down in 2011 after the killing by the police, of the convicted felon Mark Duggan, a black man accuse of planning an gang-style attacks to vindicate the stabbing of the cousin (Baudains et al., 2013). Even though the Independent Police Complaints Commission (IPCC) found no evidence of criminality by the police and a public inquest on Duggan's death reached the same conclusions, thousands of people violently protests for weeks across England and thus seriously put at risk the survivability of many businesses.

The situation strongly resemble what US has faced in the summer of 2020 since the killing of George Floyd (The New York Times, 2020). Riots impact business because they create ambiguity, decision-making time-pressure and, clearly, material damages (Pearson and Claire, 1998). Affected businesses, therefore, need to react and display high degree of resilience to survive.

Doern (2017), from Goldsmith University of London, conducted a series of in-depth semi-structured interviews to small business owners two months after the English riots, between October and December of 2011. The goal of the author was to understand more about the strategies employed by small businesses to minimise losses, the role of resources in these strategies and how, if at all, these strategies made businesses more resilient.

From the data collected, the author identified three kinds of recovery strategies, based on three type of resources:

Social recovery strategies: existing networks of friends or families, professional associations, local councils and communities were utilised to gain resources and support in the afterward of the crisis. The entrepreneurs whom did not resort to their network were not enough embedded into the community or were afraid to ask for help. “Social resources”, however, can also be generated after the crisis, like in the cases of the businesses which actively generated the publicity around the misfortune they encountered to let members of the local community know and support, or the case of a businessman which exploited his new fame to expand into a department store chain.

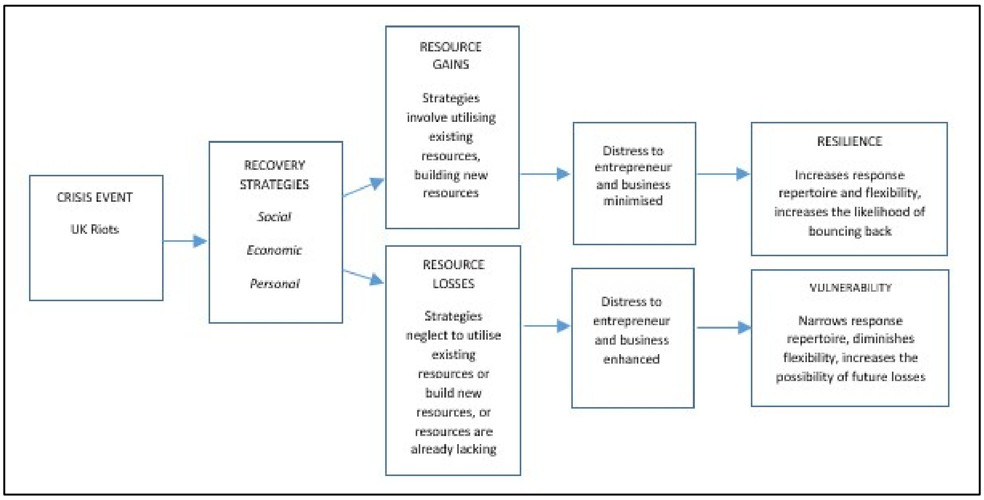
What was obtained through the social capital, existing or newly generated, was “financial assistance”, “fundraising”, “building materials”, “information/advice”, “practical support” and a “consistent boost in morale, energy and self-esteem”.

Economic strategies: hand to hand with social recovery strategies, economic strategies were deployed. The most quoted were “recurring to personal savings and banks overdrafts”, which allowed to keep businesses operational, to pay for repairs and for the sudden reduction in turnover. Others economic resources were not viable: insurance companies were bureaucratic, slow to pay and sometimes unwilling to cover the losses, while local governments were irresponsive. Like in the previous category, entrepreneurs were also able to generate new (economic) resources. The most quoted initiative was “*High Street Fund”*, a charity set up by the private sector to help small businesses affected by the riot.

Personal recovery strategies: finally, and most interestingly, personal recovery strategies were deployed. “Inner strength”, “self-determination” and/or “self-belief” helped the entrepreneurs to overcome the difficult times following the destruction, arson or looting of their activities. One reported that he wanted “to show whoever perpetrated the crime that I can bounce back” (page 8) while for others the determination to carry on came from past life experiences like "overcoming previous fires or floods". In addition, beside relying on existing resources, owner-managers actively tried to increase personal resources adopting strategies such as "counting blessings", "emotion regulation", "adopting a problem solving mentality" and "emotional distancing or withdrawal".

All in all, the study demonstrated that after a particularly unexpected and severe trauma such as destruction of the shop premises, the entrepreneurs, and with them their business, were able to drawn on existing resources, survive and restart. Also, when the owner-managers felt vulnerable because of resources lacking, they successfully implemented new strategies to acquire the needed resources.

Figure 1.6 *Recovery strategies of UK firms affected by riots*



Source: Doern 2017

The Covid-19 global pandemic

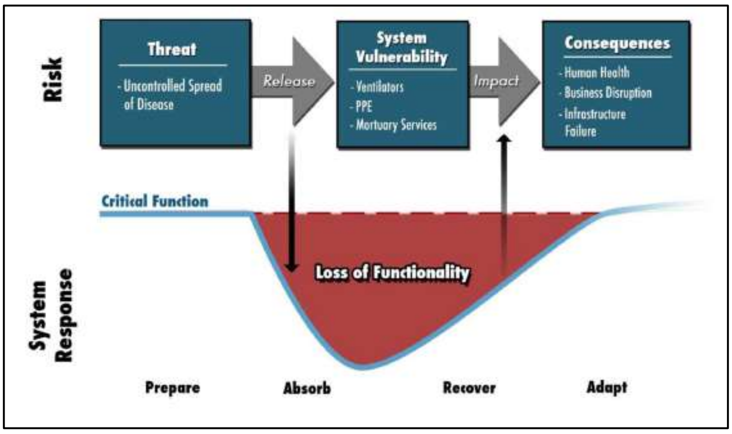
Declared a pandemic by the World Health Organization on March 11, 2020, Covid-19 quickly spread globally leaving virtually no safe country. As in mid-September, the death tool reached and surpassed the number of 950.000 victims and is expected to quickly surpass the psychological threshold of one million (World Health Organization, 2020). Given the purpose of this dissertation, the tragic health consequences of the outbreak, although somehow related to the business world, will not be deepened anymore.

However, other consequences are worthy further investigations. The eurozone economies are expected to contract by a stunning 8,7% in 2020 as projected by the same European Commission and to only partially reduce the losses in 2021 with a growth of 6.1%. There are, however, big differences, as Germany is expected to lose around 6% of its GDP in 2020, while other countries such as France, Italy and Spain are expected to see their Gross Domestic Products shrink by more than 10% (European Union, 2020). Globally, the forecasts are similar, with the expected planet Earth's GDP being the 4,5% lower in 2020 than it was in the previous year (FMI Forecasts).

The first researches on the response to the pandemic are emerging (September 2020) and two levels of analysis are particularly gaining ground: the response to Covid-19 as a system and the reaction of single companies.

As for the first, a study of Trump et al. (2020), investigated how systems interact and how socioeconomic outcomes are shaped by systemic properties. In particular, the authors described the world as relying upon complex, nested, and interconnected systems to deliver goods and services. Usually, according to the researchers, such features deliver efficiency, but as demonstrated during the Covid-19 outbreak, they bring an implicit weakness as they allow failures to cascade from one system to others.

Figure 1.7 *Crisis response to Covid-19*



Source: Trump et al. 2020

In order to avoid or, at least, mitigate the highly harmful consequences of shocks in interconnected systems, the authors made some recommendations which are also reported in the "*International Risk Governance Centre's Guidelines for the Governance of Systemic Risks*". The Guide acknowledges how it is impossible to predict all the possible disruptions of a system and therefore proposes seven steps to develop resilience in complex systems:

1. Explore the system, defining its boundaries and dynamics;
2. Develop potential scenarios considering ongoing and future transitions;
3. Establish goals and the tolerability level for risk and uncertainty;
4. Co-develop management strategies for each scenario;

5. Address unanticipated barriers and sudden critical shifts;
6. Select, test, and implement strategies;
7. Monitor, review, and adapt.

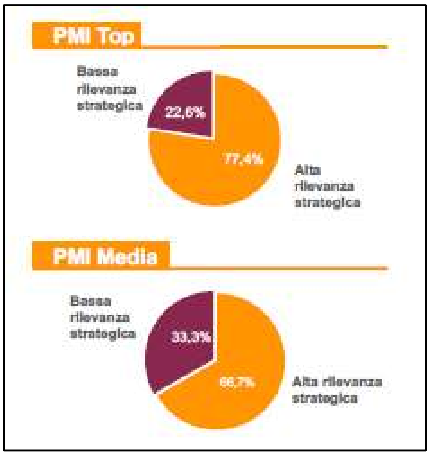
The common point is that efficiency and the cause-effect relations are constructs not reliable anymore in an integrate, dynamic and self-organizing system composed by actors with different and often conflicting interests, values, and worldviews. Therefore the solution is to proactively follow the seven guidelines, acknowledging how there is no reasonable way to anticipate and prepare for the broad universe of the possible threats. Therefore, there is a need for designing systems for resilience since the beginning, providing them with the capacity for recovery and adaptation, *regardless* of the challenges they may face.

As for the second stream of research, at organizational level, a study being the outcome of a conjoint effort by scholars of the "Business Department of Padua University", the "Management Department of Ca Foscari University" and "Banca IFIS" is highly noteworthy and thus will be reported. The researchers, in an optic of analysing how Italian SMEs develop exceptionally positive metrics such as "growth in turnover (%)", "EBITDA" and "Net Income", due to COVID-19, switched their approach to explore and understand how "*Top Performers*" adapt and recover – displaying resilience – from the pandemic. The investigation was carried out in April and May 2020, contacting the 2019 top performing SMEs and asking which were the strategies employed to face the COVID-19 crisis. Out of 330 companies reached out, 37 accepted to take part in an in-depth qualitative study.

As a premise, it is reported how, in general, the outbreak and the relative slowdown impacted differently the different sectors. Indeed, as predictable, "Chemistry & Pharma" and "Technology" benefited from the changed conditions, while others sectors, mainly "Fashion2 and "Automotive" suffered from a weak demand. Likewise, the effect of the internationalization, expressed as the "increase in export", was almost linearly related with the variation of the turnover: companies which were able to sell more overseas compensated the losses occurred in the domestic market and even increased their revenues, while companies which reduced their volumes of export almost inevitably lost in total revenues. But, moving to the most attractive part of the research, four characteristics emerged as shared by the Top SMEs facing a shock: "the capacity to react", "the importance of the international networks", "an evolving Business Models" and "the care for the employees". More specifically, when bearing with the pandemic and its effects, entrepreneurs leading the best performing Italian small and medium enterprises reported that they proactively tackled the situation. This means that they clearly selected the information relevant for their business among the enormous and evolving stock on data available. In other words, they exhibit high *situation awareness*. Moreover, they courageously converted the information acquired in bald but rational business decisions like pursuing vertical integration on specialised suppliers or investing in new human capital for the R&D department. Secondly, when talking about the *export* forecasts of their companies, the entrepreneurs interviewed demonstrated to be optimistic as they believe that export will consistently help the companies to regain terrain. With reference to internationalisation, the firms' leaders also reported to have further tightened their relations with their partners abroad thanks to the technology services. As for the third shared trait, most companies evaluated *changing their business models* and one out of four had already done it in less than two months. For example, a BtoB company started to talk directly with the final consumers, another mapped all his clients to understand and focus on the operative ones, while others changed their products or distribution channels to meet the demand in the face of the new conditions. Finally, Top Performers entrepreneurs showed how they *care for their employees* during the pandemic as they quickly adopted flexible working hours, smart-working and others similar tools to help the work-life balance of their members, especially the ones having children at home. Of course, smart-working goes hand-to-hand with technology and, in fact, the overwhelming majority (82%) of best performers kept investing in the technology 4.0 during the Corona virus crisis.

Lastly, top performing SMEs stand out for their involvement in *CSR activities* as they declared that CSR practices are "highly strategical relevant" 10 percentual points more than their average performing counterparts (77% vs 67%), "used substantially more renewal energy" (62% vs 45%), showed "a reduced usage of water" (27% vs 18%) and have won more "prices and awards on the field of sustainability" (15% vs 4%).

Figure 1.8 *Strategic relevance of CSR activities for SMEs*
Figure 1.9 *Sustainable activities of SMEs*



Source: Micelli S., Brocca S., Menesello L. ,Di Maria E., Bettiol M., Capestro M. (202

2. CHAPTER TWO

THE CORPORATE SOCIAL RESPONSIBILITY OF THE COMPANY

In 1917, Henry Ford's plan for a vey limited and primordial CSR was brough to tribunal by his shareholders and shut down by the Michigan Supreme Court.

The authority motivated the sentence explaining that the only duty of a company is profit maximation and distribution (Michigan Supreme Court, 1919). In 1999, eighty years later, Henry Ford's great-grandson, Clay Ford Jr, as newly appointed executive chairman of the company, addressed the shareholders with the words: "We want to find ingenious new ways to delight consumers, provide superior returns to shareholders and make the world a better place for us all" (Meredith 1999, 3). This time there were no lawsuits against the inclusion of CSR goals in the business model of the company and, instead, the heir of the inventor received considerable support from various stakeholders of the company, shareholders included (Lee, 2008).

2.1 CSR: definitions, critiques and implications

2.1.1 The history of CSR

In 1977, less than half of the Fortune 500's companies even mentioned CSR in their annual reports, while, by the end of the 1990s, only twenty years later, 90% of the companies belonging to the same index were displaying their CSR activities in annual reports (Boli and Hartsuiker 2001). The shift was so dramatic that the former CEO of General Electric, Jeffrey Immelt, stated that "the world has changed" (Lee 2008, 54).

The case of the Ford Motor Company and the change in behaviour of the Fortune500's firms can be explained by the same factors. First, during the eighty year passed between the rejection of Henry Ford's proposal of business "*as service to society"* and the speech of his great-grandson, there had been a marked cultural shift at all levels towards an (extremely) positive perception of corporate social responsibility (Campbell, 2007). Secondly, and indubitably more importantly, the meaning and the busines implications of CSR were by far more palatable to shareholders in 1999 than in 1919 as the concept passed from being a vague moral or macro-social duty of the company to be rationalized at organization level and proven to lead to performance enhancements (Lee, 2008).

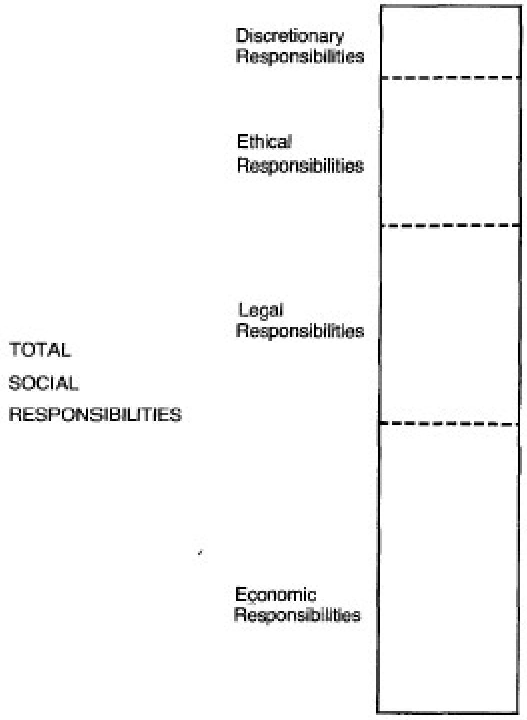
The term Corporate Social Responsibility first appeared in 1953 when H. Bowen published his milestone essay "*Social Responsibilities of the Businessman*". The American economist coined the term in the process of answering to two questions: "What exactly are the responsibilities of businesses?" and "How can society make institutional changes to promote CSR?" (Bowen 1953, 3). As to start, Bowen acknowledged how big companies represent a power centre for society and that the consequences of their decisions greatly influence the lives of the citizens, especially on topics such as education, unemployment and environment. Secondly, and this is the point of the research, he states that CSR: "refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (Bowen, 1953).

The effects of the researches of Bowen, concurrently with the shifted perspective assumed by society towards CSR, resulted in the first US regulatory legislations, among which the most famous are the "*National Environmental Policy Act*" of 1969 and the "*Clean Air Act*" of 1970 (just to mention two of them). The concept of CSR was then refined in 1960 by Keith Davis, the only scholar recognized influential enough to threaten the position of Bowen as father of the discipline, which devised the so-called "*Iron Law of Responsibility*" that states how businessmen's social responsibilities must be "commensurate with their social power" (page 14). Davis exhibited a degree of innovativeness comparable to the one of current scholars: he defined CSR as the "businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest" (Davis 1960, 73) and, ahead of the times, asserted how businesses which do not use their social power responsibly, will see it "gradually eroded". Two and ten years later (1962, 1970), the fist and most fierce objection to the spreading of the CSR philosophy was brought forward by the future Nobel Memorial Prize winner of 1976, Milton Friedman. The neoclassic scholar based his doctrine on the view of the economic system as driven by self-interest, on the efficient allocation of resources and on the total dominance of market. As a consequence, he passionately argued that including ethic and discretionary considerations when running a business is not just irrelevant, but dangerous. In fact, he claimed that investing in CSR activities such as employees' welfare or community development implies diverting funding from activities necessary to compete in the market such as dividend distribution and innovation. Ultimately the company which invested in CSR practices will find itself in economic disadvantage compared to organizations not involved in such practices and so at risk to be thrown out of the market. It is worth reporting the statement that explains the emphasis with which Friedman rejected the CSR doctrine: "Few trends would so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their shareholders as they possibly can" (Friedman 1962, 133). Eight years later, in 1970, he did not seem to have changed idea and, on the contrary, reiterated how managers and directors should not give "money from others" to charity, but, if they really want, "should use their own" (page 23).

The standpoint of Friedman was gradually but totally replaced with the time. In fact, the concept of CSR became associated with broader organizational goals such as "organizational reputation" and "stakeholder management", concepts which would ultimately provide an economic justification for the investment. Consequently, the vast majority of the modern scholars investigating CSR suggests its implementation because of the positive effects it yields on the bottom line performance of a corporation (Margolis and Walsh 2003; Orlitzky et al. 2003).

In 1979, taking on the request of the majority of the scholars of the time which were calling for more tangible conceptualization, research and policy development of CSR, Archie B. Carroll laid the second milestone in the CSR doctrine. The article "*A Three-Dimensional Conceptual Model of Corporate Performance*" provides a pragmatic three-dimensional definition of "Corporate Social Performance (CSP)" as the union of "CSR", "social issues" and "corporate social responsiveness". The aim of the author to unite the various streams of research on the topic was evidently achieved as nowadays CSR defines all the three dimensions. In addition, the model did not treat economic and social goals as incompatible trade-offs, but, rather, as parts of an integrated framework of total social responsibilities of business. Those responsibilities are therefore categorized in four classes: "economic", "legal", "ethical" and "discretionary". For each category, corporations can follow one of four possible strategies of action: "reaction", "defence", "accommodation" or "pro-action".

Figure 2.1 *Total Responsibilities of the company*



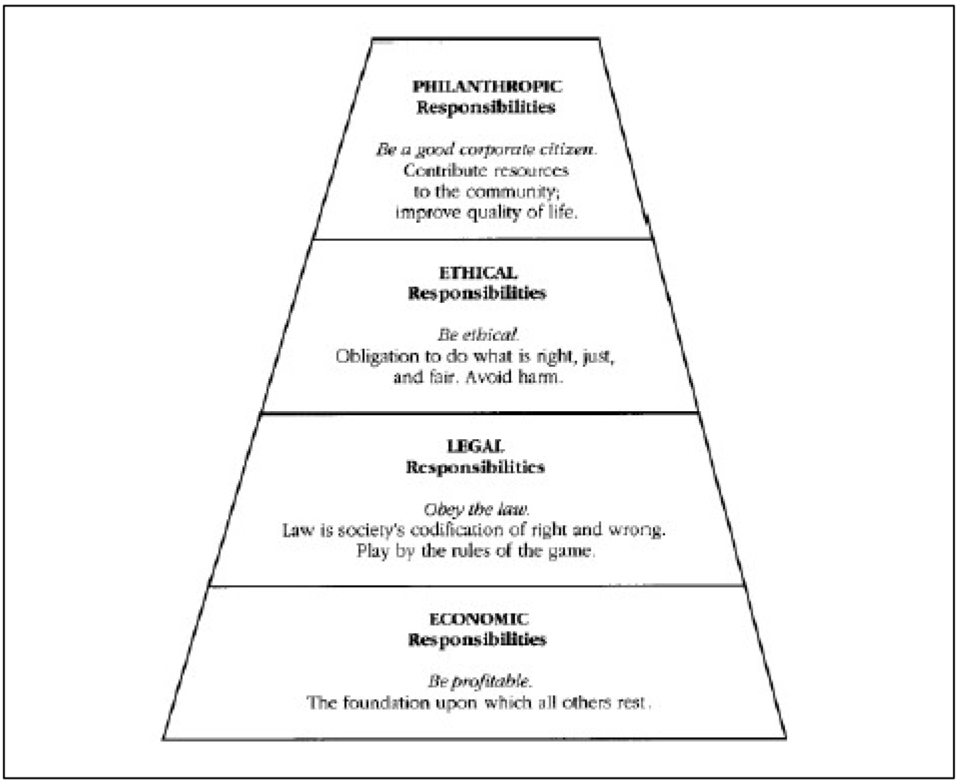
Source: Carroll (1979)

Each category has a different magnitude, or weight, as observable from the graph, but each category is also built on the one below, meaning that there are some requirements (responsibilities) to satisfy before jumping to the next category.

As to start, the baseline consists of the “economics responsibilities”: the first obligation for a business continues to be making an acceptable profit. Secondly, every business needs to complains in full with the rules and the regulations of the country in which they operate. Although allocated at the second place, given how they are the fundamental precepts of the free enterprise system, “legal responsibilities” are to be intended as important as making profit. Continuing, “ethical responsibilities” are those not regulated by the legislators but are obligations required by the society in which the company is nested: “Ethical responsibilities embody those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, […] with the respect or protection of stakeholders' moral rights” (Carroll 1979, 16). Ethical responsibilities are more difficult to complain with, as the society is continually raising the bar. Finally, “discretionary responsibilities” are the ones left to the judgment of the individual. In truth, calling them “responsibilities” is incorrect: they are not mandated and the non-participation is not considered unethical. Typical examples of this level of "responsibilities" are philanthropic activities or providing day-care centres for working mothers.

The model of Carroll immediately gained wide acceptance and was further deepened by other scholars such as Miles (1978) and Wood (1991), but was also refined by the same author in 1991 as reported below.

Figure 2.2 *The Pyramid of Responsibilities*



Source: Carroll (1991)

2.1.2 CSR and stakeholders' management

After the works of Carrol, the interest in the subject grew stronger and new definitions of CSR, along with diversified streams of research, appeared. The strongest school of though of the time was the one based on the so-called "*stakeholder theory"* and the findings of Freeman. According to this new vision of business, all and only those groups who have a stake in the business must be satisfied by the management. Therefore, the new task of entrepreneurs and managers is to "govern and combine the relationships and interests of shareholders, employees, customers, suppliers, communities and other groups in such a way as to ensure the long-term success of the firm" (Freeman and Mcvea 2001, 45). Consequently, contrasting social and economic goals like it was done in libertarian terms is just insignificant as they both contribute to the survival and flourishing of the company. In this perspective, in 1994 Elkington published the book "*Cannibals with Forks: The Triple Bottom Line of 21st Century Business*" affirming that businesses must concurrently pay attention to people, planet and profit and therefore should disclosure their performances in terms of social, ecological and economic results. The framework became famous under the name " Triple Bottom Line" as bottom line describes the last row of the financial statement. Anyway a commonly shared classification of the stakeholder did not appear until 1997 when Mitchell, Angle and Wood proposed a dynamic model which allowed stakeholder identification and evaluation. Three are the attributes considered in the model:

Power: defined as the ability to impose the agent's will in the relationship. A position of strength can be acquired or lost following the dynamics of the rapport. Quoting Etzioni (1975), Mitchell and colleagues categorized power in three classes, based on the source of it:

1. *Coercive*: based on violence, force or restraint;
2. *Utilitarian*: based on material or financial resources;
3. *Normative*: based on symbolic resources such as prestige and esteem.

Legitimacy: is the generalized assumption or perception that the actions of an entity are appropriate or desirable within a socially constructed system of values, norms and beliefs. The difference between "Power" and "Legitimacy" lays in the facts that an actor may have a legitimate claim on the firm, but not power (minority shareholders).

Urgency: represents the degree to which the stakeholder claims call for immediate attention and thus it defines the dynamics of stakeholder-manager interactions. According to the authors, urgency is based on two attributes:

1. *time sensitivity* or the extent to which managerial delay in taking care of the claim is unacceptable to the stakeholder,
2. *criticality* or the importance of the claim or of the relationship to the stakeholder.

In 2012, Fiorani refined the work of Mitchell, Angle and Wood proposing a classification of the stakeholders built on the three attribute of "Power", "Legitimacy" and "Urgency". In the new framework, three categories of stakeholders are present:

Latent Stakeholder which possess only one attribute and their relevance is limited. They are called "sleeping stakeholder" when they possess only power (e.g. fired employees), "discretionary stakeholders" when they posses only legitimacy (NGO) and "demanding stakeholders" when the only attribute they possess is urgency (press);

Waiting stakeholders: these stakeholders possess two attributes and should therefore be considered of moderate importance by the management of the company. If they have "legitimacy" and "power" they are labelled as "dominant stakeholders" and the firm should produces specific reports for them, if they have "legitimacy" and "urgency" and hence cannot carry out alone what they want, they are called "employees stakeholders" and, finally, if they possess "urgency" and "power" they are called "dangerous stakeholders*"* (e.g. criminal organizations);

Definitive stakeholders: as one might guess, they possess all three attribute at the same time and therefore must be taken in strong consideration by managers.

The same Fiorani (2012) stated that once understood their power, legitimacy and urgency, CSR is a major tool for stakeholders management.

2.1.3 A summary of the definitions of CSR

Returning to CSR as such, A. Dahlsrud (2008), after an in-dept review of the literature, argues that there is not a universally accepted definition for what "Corporate Social Responsibility" is, but he also recognized that the lack of a single designation is less problematic than it might appear at first glance. In fact, he argued, the most commonly quoted definitions are predominantly congruent with each other. To better document his statement, he developed a study structured in three steps. First, he gathered several definitions of CSR though a vast literature review, then he identified five common dimensions of CSR and finally he frequency counted all the definitions referring to every specific dimension. Thirty-seven definitions from twenty-seven authors were deemed acceptable for the scope of the study. The five dimensions used, as reported in the following table, were: *"Environmental", "Social", "Economic", "Stakeholders"* and *"Voluntariness"*.

Figure 2.3 *CSR dimensions coding in Dahlsrud (2008)*

Dimensions	The definition is coded to the dimension if it refers to	Example phrases
The environmental dimension	The natural environment	'a cleaner environment' 'environmental stewardship' 'environmental concerns in business operations'
The social dimension	The relationship between business and society	'contribute to a better society' 'integrate social concerns in their business operations' 'consider the full scope of their impact on communities'
The economic dimension	Socio-economic or financial aspects, including describing CSR in terms of a business operation	'contribute to economic development' 'preserving the profitability' 'business operations'
The stakeholder dimension	Stakeholders or stakeholder groups	'interaction with their stakeholders' 'how organizations interact with their employees, suppliers, customers and communities' 'treating the stakeholders of the firm'
The voluntariness dimension	Actions not prescribed by law	'based on ethical values' 'beyond legal obligations' 'voluntary'

Source: Dahlsrud (2008)

The results are presented in the table beyond:

Figure 2.4 *CSR coding result in Dahlsrud (2008)*

Dimension	Dimension score	Dimension ratio (%)
The stakeholder dimension	1213	88
The social dimension	1213	88
The economic dimension	1187	86
The voluntariness dimension	1104	80
The environmental dimension	818	59

Source: Dahlsrud (2008)

The author proved his point: there is no evidence of the presence of any school of though and there was no sign of systematic divergences. On the opposite, the five dimensions are used consistently in the definitions analysed. Indeed, the analysis shows that there is a 97% probability that a random definition uses at least three of the five dimensions. Similarly, the first four dimensions were present in at least 80% of the definitions collected. With regard to the fifth dimension, "the environmental" one, which exhibits low score, the first explanation is that, as shown by Carrol in 1999, the environmental dimension was not included in the early definitions although consistently present in more recent researches. Secondly, many times the environmental dimension, even though considered part of CSR, is not explicitly included in the definition. A well-known example of it is provided by the *World Business Council for Sustainable Development (WBCSD)* which, although delivered two definitions of CSR, one for "corporate social responsibility" and one for "corporate environmental responsibility", never directly use any phrases which would be part of the environmental dimension in the model of Dahlsrud (World Business Council for Sustainable Development, 1999, 2000). Anyway, the same Dahlsrud recognized the limitations of his study as the analysis of the definitions does not provide any descriptions of the optimal performance of CSR or how the different impacts (economic, social, environmental) should be balanced against each other. However, the heavy presence of the voluntariness dimension suggests that the business should perform above regulatory requirements. But then, the natural question is "what is the optimal CSR level above the requirements?" and "what when there is no minim legal requirements?" (pag. 12) As the author reports, the definitions he analysed respond to this by pointing towards the stakeholders. As a matter of facts, balancing between the conflicting concerns of the stakeholders is a dynamic and relative task, and an universally accepted level of performance does not exist. On the opposite, the optimal performance is the one tailored on the stakeholders needs, expectations and power Dahlsrud (2008).

2.2 CSR in the context of the European Union

2.2.1 Regulations and definitions

In 2017 the "*European Directive 2014/95*" became effective and the CSR reporting of large public-interest companies with more than 500 employees passes from being voluntary to mandatory (European Commission, 2014). That was only the last step in the route undertaken by the European countries towards enhancing the sustainability of their companies.

The first important step was taken in 2001 when the "*Green Paper*" was issued by the European Commission. The document, aimed at integrating the European regulation on the subject with the international ones (OECD, UN), states how "CSR can contribute to sustainable development, while enhancing Europe's innovative potential and competitiveness, thereby also contributing to employability and job creation" (European Commission, 2001). In the same document, the first definition of CSR by an European institution is present: the commission defined CSR as a strategy "whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". In the following year, the "*European Multistakeholder Forum on CSR"* was established with the aim of being a platform for dialogue between European stakeholders such as employers, trade unions and NGOs about the developments of the European policy on CSR. The forum was considered "successful" (European Commission, 2006) although issues about company reporting requirements emerged as well as the need for European standards on CSR. Another Directive was issues by the European Council in 2003 which called its members to require businesses to report to the public about their environmental and social impacts in their annual reports. However, the Directive did not include any specifications or the framework for the reporting and member states interpreted it in different ways. Consequently non-financial reporting remained on a voluntary basis and weakly articulated in most countries (Bizzarri, 2013). In the same year, 2003, the European Commission defined the responsible entrepreneur as one that (1) "treats with fairness and honesty customers, business partners and competitors"; (2) "cares about the safety, health, and well-being of employees and customers"; (3) "offers training and development opportunities to his workforce"; (4) "acts as a good citizen in his local community"; and (5) "respects the natural resources and the environment'' (Commission of the European Communities, 2003b). Likewise, when in 2010 the Commission presented its 10-year strategy for the period 2010-2020, out of the three main priorities, "Smartness", "Sustainability" and "Inclusive Growth", two, namely being sustainable and aiming at facilitating an inclusive growth, were strongly related to the CSR practices of the companies (European Commission, 2010).

Finally in 2011, the Commission delivered his last (concise) definition of CSR, being "the responsibility of enterprises for their impact on society" together with some recommendations on how businesses should integrate environmental, social, ethical, human rights and consumer concerns into their business models (European Commission, 2011).

2.2.2 Differences among European countries

Although under the same common regulations, European countries show marked differences with regard to the perceptions, implementation and diffusion of CSR practices. As Dahlsrud (2008) states: "the confusion is not so much about how CSR is defined, as about how CSR is socially constructed in a specific context". Indeed, the historical, social and economic backgrounds of different EU countries lead companies to have different understandings of CSR meaning and implementation. In this perspective, Scholtens and Dam (2007), following an analysis of 2700 firms in 24 industrialized countries (European ones included), concluded that *individualism* and *avoidance* are positively associated with ethical policies, while the *level of masculinity* and *power distance* at country level and inside the company are negatively related to these policies. Inside Europe, the biggest difference concerns Est and West countries. Steurer and Konrad (2009) argued that the gap in *economic development* between the two blocks is reflected in different levels of implementation of CSR practices and that Est Europe firms are considerably less involved in sustainable activities. The findings of Steurer and Konrad are coherent whit what Elms had demonstrated in 2006: new member states of Central and East Europe generally perceived CSR practices as "corporate philanthropy, sponsorship or marketing rather than a responsibility to stakeholders" (p. 6). Clearly, those perceptions are strongly influenced by the socialist heritage of the countries, in which welfare and sustainability were exclusive responsibilities of the government, the author explained. However, differences exist not only between Est and West Europe, but as Argandona and Hoivik (2009, 9) stated, six specific social models of application of CSR, based on the different approaches to the institutionalization of the welfare state, exist. In detail they are the "Anglo-Saxon model", the "Central-European model", the "Mediterranean model", the "Scandinavian model", the "French model" and the "Eastern European" model. Still, the authors just listed the six models, vaguely quoting scholars of the past and did not provided any clarifications on the differences between them, leaving to the reader the task to connect the institutional approach to welfare of a country with the involvement in CSR practices of its companies. Nonetheless, some example of application of CSR at country level are provided by other authors. For example, in Sweden, human rights, environmental pollution or deregulation are problems which basically do not exist and therefore do not consist a priority in the CSR agendas of companies. What is considered part of the CSR in Sweden is financing the provision of the welfare state by mean of taxation (De Geer et al., 2009). Differently, in Germany implicit consensus exists that private interests should be made responsible for the common good. Therefore, CSR activities in Germany are deeply embedded in the existence of the firm, implicit and not verbalized. Also, CSR activities in Germany are the outcome of discussions and negotiations between stakeholders rather than the direct exercise of power by the company (Berthoin Antal et al.,2010). Continuing with the UK, the country is considered one of the leader in the field of CSR. As a matter of facts, beside the issuing of strong regulation, the government had appointed a specific minister for CSR and enforced strict disclosure on social and environmental performances of its companies. Additionally, the Great Britain is also home to several NGOs and of a number of big global enterprises which exhibit strong awareness and comprehensive reporting (Mullerat, 2013). With regard to France, the presence and influence of the state in the field is strong and takes the form of both regulation (as for the case of labour relations), and of support initiatives, especially in favour of SMEs. The most impactful of them, the *"Grenelle Acts*", were taken in 2009 and 2010 as result of a long open consultation with NGOs, trade unions and businesses. Especially important is "section 225", which rendered the annual reporting on CSR matters mandatory not only for listed companies, but also for all companies with more than 500 employees and €100m in revenue (Reuters Events, Sustainable Businesses). As a consequence, France is the world champion on third-party verified reporting on CSR, with 96% companies reporting annually (61% in UK) (KPMG, 2015).

In Spain, the "*Spanish Corporate Social Responsibility Strategy*" was launched at national level in 2014 (Reverte, 2015). It was particularly focused on SMEs, which constitute the 95% of Spanish firms, and was based on six principles, namely "Competitiveness", "Social cohesion", "Creating shared value", "Sustainability", "Transparency" and "Voluntariness". Interestingly, the strategy was not limited to promoting responsible practices in companies, but also in public administrations. In any case, the need for a specific focus on SMEs' responsibility was already present in a 2011 Forética report which found how only 4% of SMEs had structured policies and advanced tools in CSR, compared to the 54% of medium and large companies. Nevertheless, that year (2011), 98% of Spanish SMEs had already taken at least one measure of energy efficiency, prevalently energy saving, recycling and waste reduction (European Union, 2019).

Moving to the other big Mediterranean country, Italy, the report of Osservatorio Socialis (2018) reported how in 2017, 1.412 billion euros were invested in CSR, 25% up from the previous year, with an average spending per company of slightly more than 200.000 euros. This reflects the attention that Italian companies give to CSR: while in 2001 44% of them was concerned with sustainability, that number passed to be the 85% in 2017. When analysing the reasons why Italian companies invest in CSR practices, one out of three of them reports to do it because they want "to contribute to sustainable development", the same percentage because they want "to fulfil their responsibilities towards future generations" or "to improve relations with local community" and only 21% admitted to use CSR policies "to attract new clients" (Osservatorio Socialis, 2018).

When widening the focus and thus comparing the two sides of the Atlantic, US and UE, although the CSR doctrine was born in the new Continent and the dimension of the average

American firm is bigger, the European firms were fast to recover terrain and nowadays demonstrate more of a commitment towards CSR than their overseas counterparts (Argandona and Hoivik, 2009). In facts, back in 2004 they (EU companies) were already embedding CSR practices in their corporate strategy in the 50% of the cases against only 20% of the American companies (Hurst, 2004). To this it must be added the stricter regulation and the higher standardization present in the old continent. The differences are also rooted in the differences cultures of the two continents: the American one, being more *individualist*, *pragmatic* and valuing *freedom* from state intervention, discourages mandating CSR regulation while the European culture, being more *community-oriented*, favours a stronger regulation and codification of the reporting. However, the strategic perspectives adopted are different too: 68 percent of European investment firms believe that CSR contributes to stronger risk management while only one-third of their US counterparts (33%) believe that CSR will improve a company's risk management performances. In addition, 88% of US financial firms do not even consider CSR practices when evaluating a company performance (Argandona and Hoivik, 2009).

The performances of all countries mentioned above were somehow gathered together in the "*2019 Report of Corporate Knights*" which lists the 100 most sustainable companies in the world. The report was released, like every year, in January during the annual World Economic Forum in Davos. The ranking is based on publicly-disclosed data (such as financial filings and sustainability reports) and is limited to companies with at least 1 billion dollar revenues. In 2019, almost one out four (22) of the top 100 most sustainable companies were American, followed by France and UK with 11 companies each, Germany with 5, Spain with 3 and Italy with 2 (Intesa and Erg).

However it must be underscored that the weight of national firms on the total of the ranking does not represent the intensity of CSR adoption in the country. In fact, as the ranking takes into consideration only companies with more than one billion dollars in revenues, two issues are raised: one, not all countries have the same concentration of big companies on the total, and two, the overwhelming majority (99% on average) of the firms around the world have small or medium size.

2.3 CSR practices in SMEs

SMEs are not merely small versions of big businesses with less than 50 employees and a turnover smaller than 10 million euros. The internal dynamics, processes, relations and the resources exploited are different in form and quality. Consequently, one stream of research on the study of CSR focused specifically on small enterprises, tailoring its investigation on the characteristics of firms of such size. Said that, it must be reported how the small businesses community is itself very heterogeneous and how the behaviours of SMEs are influenced by a number of factors different from size (Lepoutre and Heene, 2006).

Past scholars came to different conclusions when comparing small and big companies with regard to CSR. On one hand, various reports argue that small business are better positioned for implementing social responsible behaviours because of their closer relation with the community and the direct influence of the entrepreneur (Wennekers and Thurik, 1999, Audretch, 2002; European Commission, 2011). On the other, several researchers found that small business believe that their social and environmental impact is negligible, that they possess less resources to be devoted to CSR and that SMEs struggle with regulation compliance more than their counterparts (Hitchens et al., 2005; Petts et al., 1999, Tilley, 2000; Schaper, 2002).

A summary of past scholars’ findings on factors influencing CSR in SMEs is reported below:

Table 2.1 *Factors affecting organizational resilience in SMEs*

Firm-level factors	*Entrepreneur’s characteristics*
Responsibilities’ recognition	Locus of Control
Resources Availability	Need for Achievement
Visibility/Scrutiny from the public	Tolerance for Ambiguity
Business Community’s Influence	Machiavelism
Business Partners’ Requirements	Cognitive Moral Development
Negotiation Power	Age, Education & Gender
Regulation	Time & Capacity to Delegate

Source: own elaboration

As to begin, empirical researches found that small and large enterprises attach the same level of importance to abstract normative ethical, social and environmental principles (Longenecker et al., 1989). Nevertheless, small and large business differ in the degree of recognition of their responsibilities as small businesses owners, differently from big corporations' managers, are generally sensitive only to their immediate stakeholders (employees, customer and suppliers) and not to the external stakeholders like the community or the other inhabitants of the planet (Lepoutre and Heene, 2006).

There are three concurrent explanations for this low involvement of SMEs in sustainable actions towards external stakeholders:

1. many researches have proven how small business perceive their impact as negligible (Hitchens et al., 2005; Petts et al., 1999; Schaper, 2002; Vives et al., 2005);
2. the same customers believe that small and medium enterprises are uninfluential in social and environmental issues (Jenkins, 2006; Hillary, 2000a);
3. small firms are not audited as much as bigger firms on sustainability issues (Gerrans and Hutchinson, 2000; Holland and Gibbon, 1997).

Conversely, what is influential for the development of CSR in SMEs is their business network (peers-pressure) and the shared values of the sector of belonging (Tilley, 2000). On this point, Brown and King, in 1982, found that the influence of the community on the entrepreneur is so strong that his or her personal values, developed since youth, are sometimes displaced by the ones of the local business community.

However, given the size, a prominent role in defying and implementing CSR practices is still played by the characteristics of the owner-entrepreneur. First of all, entrepreneurs are recognized for a strong *internal locus of control* (Shaver and Scott, 1992), but, as many studies proved how it is positive related with ethical behaviour (McCuddy and Peery, 1996; Yurtsever, 2003), others did not reach a clear conclusion (Hegarty and Sims, 1978). Secondly, on the opposite, an high *need for achievement* was only demonstrated to be positively associated with ethical decision making (McClelland, 1961). Nevertheless, the relation stops when a trade-off between ethical behaviours and others entrepreneurial goals takes place (Longenecker et al., 2006). Continuing, as many investments in CSR are new, complex and ambiguous, the high *tolerance for ambiguity*, which characterized the majority of businessmen, has been proven to be positively associated with the implementation of new CSR projects (Morris et al., 2002). On the contrary, *Machiavelism*, or the ability to influence others for personal goal, has been found to have a negative influence on ethical decision-making (Yurtsever, 2003). With regard to the specific level of cognitive skills that guide moral decision-making, "*Cognitive Moral Development*", it was proven to be a fraction higher among entrepreneurs than among other subjects (Teal and Carroll, 1999), thus suggesting that they "start from an higher base". Moving to the demographic characteristic, Kechiche and Soparnot (2012) argued that age plays a significant role in the value system of an SME director, determining that younger directors are more socially responsible than their elders colleagues. Soares et al., (2011) from Harvard Business School, found that gender-inclusive leadership teams are reflected in higher quality and quantity of CSR, measured both in terms of philanthropic donations and of inclusion of sustainable goals at strategic level. While Ede et al. (1998) concluded that education level is irrelevant, other academics like Spence & Lozano (2000) suggested the opposite. Two of them, Smith and Miner (1983), recognized also how the traits described above do not equally apply to all entrepreneurs, and thus defined two types of entrepreneur:

Opportunistic Entrepreneurs: he/she exhibits ''breadth in education and training, high social awareness and involvement, confidence in their ability to deal with the social environment, and an awareness of, and orientation to, the future'' (Smith and Miner, 1983: p. 326).

Craftsman Entrepreneurs: characterized by ''narrowness in education and training, low social awareness and involvement, a feeling of incompetence in dealing with the social environment, and a limited time orientation'' (Smith and Miner, 1983: p. 326).

Clearly, the authors concluded, only the former category is equipped with the right tools to deal with CSR practices' implementation.

In any case, having the right traits or education or social competence is of secondary importance to having the time to actually manage the CSR initiatives. In fact, as lack of time is a common and chronic characteristic of entrepreneurs, Lepoutre and Heene (2006) reported how those owner-managers that are occupied with ''firefighting'' operational problems or that are reluctant to delegate, are most likely characterized by lower levels of understanding of social responsibilities and of the related opportunities. Conversely, businesses that are engaged in network structures increase their absorptive capacity, the level of the new information available to them and the access to knowledge thus, at least partially, compensating for the lack of time and specific competences (Brown and Duguid, 1991; Meredith et al., 2000).

The most commonly cited obstacle for SMEs willing to invest in CSR is the “lack of financial resources”, especially of cash flow (Hillary, 2000a; Hitchens et al., 2005). If the shortage of resources is coupled with a perception of CSR as a mere cost that will result in competitive disadvantages (Ludevid Anglada, 2000), it is easy to predict how the new investments in sustainability will be almost non-existent. Moreover, another consequence of the lack of resources, as reported by Porter (1980), is that smaller size firms display *“*low negotiation power*”* with their suppliers, business partners and in politics. In turn this means that they possess a low capacity to modify the environmental forces in the market and, eventually, have lower incentive to invest. On the contrary, when large companies set ambitious targets in terms of sustainability for their smaller partners or suppliers, the latter, in order to do not lose their big business partners, are demonstrated to increase their commitment to CSR (Hunt, 2000).

Compared to bigger enterprises, a point of advantage for SMEs is their limited *visibility*. Indeed, due to their smaller size, SMEs experience less scrutiny from the general public and lower levels of institutional pressures (Brammer and Millington, 2006). It must be noted, however, that the relation “size-visibility” is not linear but moderated by the community in which the firm operates: businesses active in smaller communities and with tight relations with them were found to develop more responsible behaviours (Bowen, 2000) while firms located in more urban areas might decide to operate in “stealth” mode and remain invisible (Smith and Oakley, 1994). In any case, it appears that reputation may not be formed at the level of the individual firm, but at sector or country level. For this reason, small businesses may be saved from scrutiny and individual punishment for their misbehaviours, but will also be unable to reap the benefits of an improved reputation (Lepoutre and Heene, 2006).

With regards to the general socio-economic context, previous studies seemed to reach the conclusion that it is not possible to forecast how the level of development of the county will impact the attention paid to CSR by SMEs, mainly because other country-level factors such as “culture”, “norms”, “welfare” and “regulation” are more influential (Observatory of European SMEs, 2002). Finally, remaining at a collective level of analysis, against the common expectation that companies fight any regulation imposed upon them, the literature agrees that small business want the government to level the field on CSR imposing strict regulation to which all companies equally should be obey. The explanation to this counterintuitive behaviour is the scepticism of SMEs’ owners on self regulations of their competitors that, in turn, derives from a distrust of the ethics of the peers (Ludevid Anglada, 2000; Petts et al., 1999; Tilley,2000; Vitell et al., 2000).

2.3.1 The Italian case

In Italy SMEs are the 99.9% of the total (around 3.8 million units) and represented the 67% of the value added and the 78% of the employment (2018), both percentages higher than the EU average (European Commission, 2019). To study their involvement on CSR, Marcello Coppa and Krishnamurthy Srirameshb (2012) combined the surveys of 105 executives with the extensive qualitative interviews of five owner–mangers of SMEs and with the judgment of two opinion leaders. The first result of the triangulation is that the most crucial constituents of corporate social responsibility for the respondents are, in this order, “employee health and safety”, “human rights”, “environment” and “business ethics”. On the opposite, “community involvement” and “corporate governance” were recognized as the least important CSR activities. Interestingly, the majority of Italian entrepreneurs (65%) recognize how doing charitable contribution is not what CSR consists of and, coherently, the vast majority of respondents (87.5%) believed that CSR should be part of the corporate strategy. Viewing CSR as an integral part of the strategic planning is strongly favoured by the belief, shared by the 50% of the entrepreneurs, that CSR has positive effects on the financial performance of their firms (while 32% saw a trade-off between the financial performance and CSR). Keeping the focus on the returns of CSR, the majority of the interviewed said that building trust is an important function of CSR, especially with the growing interest and evaluation of sustainability by costumers . At the date of the research, 2012, the 89% of firms were already practicing some form of CSR, mainly “employees training and development” (55.2%) or “employee welfare” (40%), confirming the internal focus saw in SMEs’ at European level. Surprisingly, given how entrepreneurs responded to the question on the constituents of CSR, “charitable donations” emerged as very commonly practiced activity. The reason, as reported by the same entrepreneurs, is that donations are both easy to implement and have an immediate effect. With regards to donations, it is worthy to stress how the personal network of the entrepreneur is often involved, with the majority of the receivers being personally known by the entrepreneur. Continuing with the motivations for pursuing CSR, “improving public welfare” was reported to be the most important factor by the 92.1%, of the respondents followed by “long term sustainability” (88.9%). Then, once again, an internally oriented motivation, “recruit and retain employees” is present (84.1%.). After that, more “operative” reasons emerged, such as “enhancing reputation” (79%), “promoting transactions/partnerships” (74%) and “enhancing community trust and support” (71.4%). Such “*operative*” reasons for CSR and their effects on employees, reputation, partnerships and community will be crucial in the next chapter which explains the relation CSR-Resilience. On the opposite, not surprisingly given the previous responses and the size of the firms, motivators related to “media coverage”, “philanthropy”, “regulation” and “NGOs/interest groups” were lower in importance.

Confirming the importance of the closest stakeholders, the majority of respondents considered “customers” (93.9%), “employees” (92.4%) and “suppliers” (74.2%) as the most important groups to which direct CSR practices. With regard to communication, internal media, such as “meetings”, “newsletters/brochures” and “word of mouth” are the ones most commonly adopted.

Once evaluated the reasons to invest, the decision process is highly centralized: half of the time is the CEO which fist-hand decides how to invest in CSR projects, while in the other half of the cases it is the board of director which chooses. Only in the 3.8% of the cases the decision is shared with all members of the organization.

Together with the “short-term orientation”, the “low formalization and structuration” of CSR practices were found to be the weak spots of SMEs. More in details, the findings indicate that only 4.5% of the SMEs had a CSR department, while another 3% reported to being planning to set up one within months after the survey. Furthermore, barely the 10% of the SMEs in the sample had a dedicated budget and only one out three of the SMEs measured the outcomes of CSR activities (with “stakeholders and customers’ feedbacks” being the most quoted tools).

The last part of the research refers to the drivers of CSR. As to begin, the “district”, or busines network, positively influences CSR performance of the firm because of the importance given to systemic responsibility and to social capital-building. Secondly, the “pressure of the clients”, both the final consumers and other companies of the supply chain, along with the “government initiatives and regulations” at national and regional level, were proven to push towards CSR adoption in SMEs. Thirdly, “business associations” can favour CSR practices implementation by mean of training on best practices, awards and networking. Lastly, “consensus-building organizations” such as the “Catholic Church” and the “Labour Unions” still project a significant influence on Italian SMEs and thus on their decision to invest in CSR.

2.4 CSR in turbulent times

As the European Commission (2011) reported, the last economic crisis and its social consequences resulted in the loss of trust and consumer confidence in businesses. Moreover, financial crisis imply various other outcomes such as “financial institutions collapse”, “sales decline”, “stock indexes fall”, “unemployment”, “poverty” and “governments bailing out their financial systems” (Adamu, 2009). At company level, this means that organizations are compelled by the circumstances to restrict their expenses, possibly including the ones on their corporate social responsibilities. In parallel, during the last years, the focus of the citizens was increasingly diverted towards the social and ethical performance of enterprises.

As a final result, firms find themselves under the dual pressure to satisfy the economic expectations of their stakeholders and to contribute in solving social, environmental and ethic problems (Giannarakis and Theotokas, 2011).

In 2009, Souto investigated the consequences of the 2007 economic and financial crisis. His findings indicate that CSR is believed to be a threat for companies’ survival because of its additional financial cost. However, as CSR cannot be temporary and limited to prosperous times, seven are the subjects recommended for CSR implementation in period of crisis: “innovation”, “stakeholders’ role”, “comfortable atmosphere”, “market attitude”, “business strategy”, “investor confidence” and “deep internal reflection”.

One year later, Karaibrahimoglu (2010) investigated the CSR performance for the period 2007 and 2008 (before and at the beginning of the financial crisis). He randomly selected 100 companies out of the Fortune 500 index and examined their performance on sustainability (non-financial reports) using content analysis. The scholar classified 29 indicators for estimating the CSR performance. Five areas are then recognized: “suppliers”, “consumers”, “employees”, “government”, and “society”. The method is basic: one point is assigned if a CSR practice related to that area is nominated and zero otherwise.

The conclusions show that companies reduced their CSR projects because of a financial downturn. Furthermore, the findings indicated that the diminution of CSR projects is greater in the USA than in Europe or in other countries. However, no detailed explanation on the choices of the specific indicators is provided.

In 2009 Njoroge examined the financial crisis and its effects on multinational companies operating in Kenya. Through the application of two methods, a telephone interview survey and the analysis of “Covalence database”, the author came to the conclusion that the financial downturn has an adverse effect on social projects funding (but not on labour standards). Thus, he concluded, CSR initiatives are delayed or cancelled because of the financial crisis.

Two years later, Lessen et al. (2010) focused on companies which adopt the principles of "United Nations Global Compact" (UNGC) on sustainability. The conclusions he drawn are clear and pretty interesting: companies that adopt a proactive CSR policy are less affected by the financial crisis, while companies that integrate UNGC principles with lesser conformity will suffer more the effects of the financial downturn. Also, the findings suggests that CSR can be, in some occasions, a starting point for improving business operation.

In the same years, Lenssen and colleagues, analysing CEOs' public statements on CSR, described the six main priorities for the companies' leaders in time of crisis. As reported, they are: "building strong leadership in teams", "applying innovation to solve global problems", "establishing partnerships with NGOs", "maintaining a commitment to global citizenship", "preserving human rights" and "preserving the environment".

Finally, two Greeek scholars, Giannarakis and Theotokas (2011) analysed 112 companies in term of sustainability performance in the timeframe 2007-2010. The level of CSR of the companies were measured following the Global Report Initiative (GRI) guideline and consequently only firms certified with the framework were took into consideration. The results showed increased CSR performance before and at the beginning of the financial crisis and a decrease in the years 2009-2010. As to start, the authors argued that the benefits that could arise with the implementation of CSR initiatives are more important in times of crisis than in smooth ones: CSR favours the differentiation of the goods or services in the final market, it re-establishes trust between the company and their stakeholders and, finally, it can redefine the relationship between companies and society. In conclusion, the authors claimed, although being often seen as a threat/cost, CSR can be a real opportunity in times of crisis. However the optimistic stance the authors took is in stark contrast with their result. Indeed, they did not provide any explanation on why CSR involvement only increased in the first year of financial crisis (2008) while it decreased in the two following two (2009, 2010).

3. CHAPTER THREE

CORPORATE SOCIAL RESPONSIBILITY AND ORGANIZATIONAL RESILIENCE

As reported in the previous chapters, both "Corporate Social Responsibility" and "Resilience" are constructs to which scholars have devoted a great amount of time and resources. What pushed the scholars to continuously explore the two topics was the importance attributed, especially in recent times, by society and companies to both pro-social activities and to crisis response and survivability. Interestingly, the findings on the reasons why companies invest in CSR practices include, but are not limited to, the goodwill of the actor. In fact, the pressure of the stakeholders and the need to remain competitive in the long run are the two biggest reasons for companies to invest in prosocial and environmentally friendly activities (Lv et al., 2019).

On the other hand, the large number of researches on resilience have uncovered many patterns and factors that can enhance the ability of an organization to withstand exogenous or internal shocks. Among the others, the human and social capital of the entrepreneur and of the company, the financial structure of the enterprise and a record of past successes in dealing with crises were proven to predict the company's future positive adjustment to shocks (Korber and McNaughton, 2017).

What needs a more sound understanding is the relationship between the two, meaning if and how undertaking CSR practices would help the organization to control the environment, foreseen threats, adapt smoothly to changes and bounce back from adversities.

In other worlds, does CSR foster resilience?

Furthermore, as it will be explained, the supposed linkage between CSR and Resilience is not immediate but built on a multilevel logic. This, in turn, implies a wider room for external factors to influence (moderate and mediate) the magnitude of the relation in analysis.

Two of them, "*Network*" and "*Individual Resilience*" were selected and deepened. What determined the choice to analyse these specific factors is that they allow a deeper understanding of the link CSR-Organizational resilience, but also that they are well documented antecedents of Organizational resilience when taken on their own.

In sum, this Chapter revolves around the relation between CSR and Resilience, its direction, intensity and the factors possibly enabling or blocking such relation.

3.1 The relationship between CSR and Resilience: the traditional perspective

3.1.1 Introduction

As reported by Kurucz et. al (2008) "managing a business enterprise is an increasingly complex task in an era of globalized trade and competition, exponentially faster information flow, highly fluid capital markets, and greater interconnectedness among civil society groups" (page 2).

Given these premises, it appears that the traditional focus on pursuing economic efficiency and efficacy is a necessary but not sufficient condition. Similarly, the old strategies and protective mechanisms used by companies to shield themselves in case of shocks and to maximize performances might not be effective anymore (Seville, 2016). There is a need for new, more complex and more integrated mechanisms that can guarantee a solid and constant performance over time (Lee and Wang, 2017).

One of the mechanisms available to companies, recently proposed by scholars, is CSR. The findings of the studies on the topic suggest that, beside having positive ethical implications, CSR delivers economic benefits ("productivity", "innovation", "access to resources") and financial advantages ("lower volatility", "higher growth", "more sources of financing") to the organizations investing in it. What is more, those advantages are particularly relevant and helpful in times of crisis (Gao et al., 2017).

In any case, the research on CSR as an antecedent or enabler of organizational resilience is not completely new. Many studies, starting in the late 2000's, accounted the integration of social and environmental practices in the business model, operations and stakeholders relations as an instrument available to entrepreneurs, managers and companies to better control the environment, anticipate and prevent risks and undertake a faster recovery (Du, Bhattacharya and Sen, 2010; Jamali and Mirshak, 2007).

The relation CSR-Resilience is not intuitive and neither is straightforward. Indeed, at first glance, even to the insiders, the two concepts appear to be independent and fully separate (Lee and Wang, 2017).

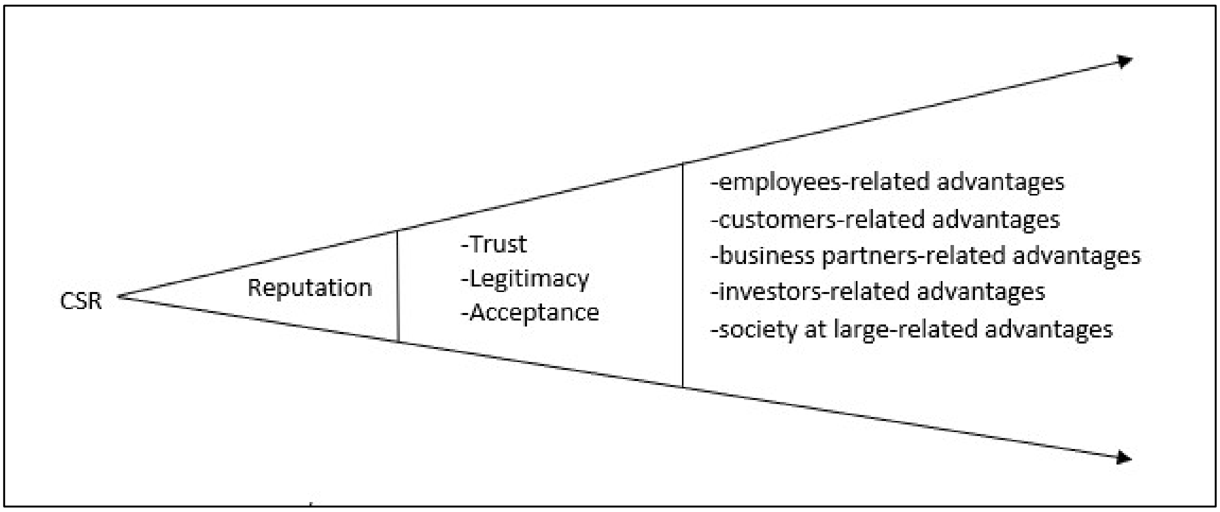
This is the reason why the field is interesting, worth investigating and, ultimately, was chosen to be the central topic of this work of research. The logic behind the relation "*Corporate Social Responsibility - Organizational Resilience*" is a multi-level rational. First, CSR delivers a better image of the company to the eyes of the stakeholder (Gao et al., 2017). Secondly, a good "reputation" is reflected in "higher trust", "better acceptance" in the community and a solid "legitimacy or license to operate" (Pal et al., 2014). Finally, due to the utmost importance of the integration of the business with other actors in the ecosystem, "trust", "legitimacy" and "acceptance" provide a variety of advantages to the firm in term of "risks and costs reduction", "information and resources access", "flexibility" and "buffer in case of adverse events" (Lv et al., 2019).

3.1.2 The Mechanisms and the Stakeholders Involved

CSR can be described as "the inclusion in the business model and in the decision making process of the broader interests of stakeholder who do not have the direct power to influence the company's choices" (O'riordan, and Fairbrass 2008, p.16). Under a libertarian lens and the trade-off hypothesis defined by Milton Friedman (1962, 1970) when an entity, being an individual or an organization, pursues goals that are beyond the satisfaction of its own needs and therefore exhibits an altruistic behaviour, it faces a trade-off. The utility of the members of the organisation is diminished and value is delivered to external parts. In particular, the author makes a clear distinction between which are the duties of the executives, to work solely in the interest of shareholders, employees and customers and which are not, namely improving the "general social good" which he labelled as "taxation without consideration". Although, as it will be demonstrated later, the framework behind the theory that depicts utility as a fixed pie to divide and the division process as a "fight", is not completely true, it reveals itself useful to explain the logical path connecting CSR to Organizational resilience. In fact, in the view just described above, there is no logical reasons for the firm to engage in CSR practices as they will ultimately lower the utility gained by the internal players ("decision makers") in exchange for gain accrued to external actors which do not have decision power.

But, since the organizations and the decision makers are rational enough to avoid a course of action in which the only and certain outcome is a loss, there should be an explanation for the so common "altruistic" behaviour of todays companies (Kurucz et al., 2008). The "theory of reciprocity" (Falk and Fischbacher, 2006) asserts that people reward kind actions and punish unkind ones even if not directly pointed towards them. Translated into the business world, the stakeholders at large (investors, customers, business partners, employees, society at large) reward the company for the positive behaviours it shows (CSR) regardless of the fact that the benefits directly accrued to them. Practically, the reward is firstly expressed as "higher reputation" of the firm, which in turn is translated in "trust", "legitimacy" and "social acceptance" (Lv et al., 2019). Finally, the ground-level effects of a "good image" can be summarized and grouped into five distinct areas based on the stakeholders involved: "customers-related advantages", "business partners-related advantages", "employees-related advantages", "investors-related advantages" and "society at large-related advantages".

Figure 3.1 *Benefits of CSR according to the traditional perspective*



Source: own elaboration

Employees

Workers' positive judgement of the values of the firm in which they are spending most of their time and energy benefits the capacity of the latter, especially when SME, to anticipate and react to adverse events (Stoian and Gilman, 2017). More in detail, not only an alignment of the company interests and values with the ones of workers will increase the commitment of the workforce, but knowing that the organisation's goals are broader than the mere economic profit and that they include a pledge to the public good will leverage the employees motivation increasing morale, loyalty, solidarity and other positive emotions (Lv et al. 2019). In companies with strong sustainability practices morale is higher as much as 55% compared to companies not involved in such practices and employees loyalty is 38% better. In turn, as a consequence of higher engagement and lower replacement costs (voluntary turnover), the productivity is 16% higher in those virtuous companies (Whelan and Fink, 2016). Furthermore, a study conducted by Non, Rohde, de Grip and Dohmen (2018) among Danish students about to enter the labour market, was able to provide a measure of the monetary value of CSR: when an heterogeneous group of 1498 students from two different technical universities were asked to rank order various jobs based on salary, autonomy, mission and other attributes, the researchers found that they were willing to give up, on average, 200 euros per month each if the company would demonstrate a pro-social mission.

Beside the indubitable importance for the everyday functioning of a company and the consequent more stable financial structure, the attributes mentioned above are extremely useful in time of crisis. In fact, the emotional bound created through virtuous practises deeply impacts the response of organizations' members during challenging times. Specifically, when facing adverse events, rather than striking or resign, employees with a strong bound with the company exhibit "commitment", "collaboration", "spirit of sacrifice" and "collectiveness" (Bode at al., 2015). This means that instead of having an additional potential source of troubles the company has an assets to rely on in case of emergency. Committed workers understand and work with the management or the entrepreneurs to overcome the negative impacts of adverse events and show a great degree of attachment to the firm (Ortiz-de-Mandojana, Bansal, 2016).

In a similar study on resilient family businesses, Bloch, Kachaner and Stalk (2012) found that rather that financial incentives, companies that exhibit the trait of resilience, rely on a "culture of commitment and trust by the workforce".

Finally, the effect of CSR practices on the workforce is proven to be extended beyond the current employees and includes the potential candidates and the ability of the company to attract them. In other worlds, an increased reputation, due to CSR practices, allows the company to draw talents (especially new generations) from a wider pool and thus to have a greater deal of human capital to rely on, especially when it is most needed, namely the times of adversity (Ohlrich, 2015).

Customers

As a company can never place too much emphasis on its customers, businesses nowadays must take into account that consumers' needs and desires are not satisfied just with the product or service bought and neither with the experience associated with them. Instead, the whole company structure and business model are taken into account and evaluated during the purchase process (Lv et al., 2019).

Accordingly, the science of brand management is growing in importance and becoming more sophisticated. One of the tools that is revealing to be the most effective is stressing the sustainable features of the product and of the company (Zhang and Jin, 2016). Nowadays, customers expect more honesty, transparency and a tangible global impact. One study reported by the Harvard Business Review (Whelan and Fink, 2016), finds that the only factor affecting respondents' evaluation of a firm and their intention to buy was the disclosure of environmental and social responsibility practices. The same research finds that two-third of consumers internationally believe that they "have a responsibility" to purchase products that are good for the environment and society (Whelan and Fink, 2016). For the same reason, companies can also charge an higher price premium for sustainable brands (around 20%) without losing on the overall turnover (Whelan and Fink, 2016).

On the same line, "social cause-related marketing theory" (Drumwright, 1996; Varadarajan and Menon, 1988) affirms that through the showcase of socially and environmentally responsible behaviour, it is possible to obtain an alignment of firm and stakeholders interests (Kurucz et al., 2008). In other words, connecting philanthropic behaviours and marketing can generate a gain in reputation in the final consumers market. Similarly, but in a broader strategic perspective, a concern for the environment and the community, can be the leverage for a differentiation marketing strategy (Ali, 2011). All those market-base related advantages, as the higher mark-ups or a CSR-based differentiation strategy, allow the firm to financially buffer itself for prospective times of crisis.

Moving to a macroeconomic view, "the supply and demand theory of corporate CSR" (McWilliams and Siegel, 2001) implies that the level of environmental and social performance supplied by the firm is the exact amount demanded by the external actors (i.e. consumers). Thus, CSR practices are minutely weighted within a logic a profit maximization, without any discretion or altruistic behaviour from the company, which rather evaluates exactly what are its incremental costs and revenues (Kurucz et al., 2008).

A more dynamic stance, associated with the recovery perspective of resilience, is the one that sees the CSR as a reputation buffer against the effects of the misconducts of both the company itself and other similar organizations (Gao et al., 2017). Jonsson, Greve, and Fujiwara-Greve (2009) refer to "legitimacy loss contagion" as the loss of reputation suffered by a company as consequences of the actions of another organization. An example of legitimacy loss contagion is the increased public scepticism and the threat of increased regulation of the public auditing industry following the Enron/Arthur Anderson scandal. Increased voluntary CSR disclosure may be able to counteract this scepticism and differentiate the reporting organization as transparent and righteous (Zahller and Roberts., 2015). Furthermore, research around environmental disasters (the Bhopal tragedy, Blacconiere and Patten 1994; the Exxon Valdez oil spill, Patten and Nance, 1998) has demonstrated the positive effect of *prior* CSR disclosure in differentiating innocent organizations from the market aftershocks.

Similarly, at firm level, as corporate scandals are emerging as a common threat to the flourishing of companies, being involved in CSR activity can provide a cushion against the negative impact of misconducts on reputation and consumers base (Gao et al., 2017, Zahller and Roberts, 2015).

Finally on the same line, but with a less idealistic perspective, is the assumption of Caulkin (2002) which accused the companies of taking a public ethical stance in order to project a good image, regardless of the more pervasive and unpublicized unethical practices carried out in the background (i.e. Nike).

To sum up and conclude, given the increasingly attention paid by customers to the ethic (or not) behaviours of companies, not accommodating such requests, beside the loss of growth opportunities, could be a source of additional threats and diminished reaction capabilities (Whelan and Fink, 2016). The additional threats can take the form on boycotts, bad word of mouth and even defamation campaigns lead by groups of influencing users (Lv et al., 2019). On the other hand, the advantage provided by the engaged consumers is often underrated. When customers believe the organization will respond to the comments and not use the information against them, will help the firm by providing sensitive and timely information on new trends, competitors and tastes thus providing an exceptional tool to spot menaces and ultimately to increase resilience (Harrison et al, 2010).

Shareholder and investors

As a consequence of environmental uncertainty, economic crises and globalization, the exposure to the public scrutiny of organizational behaviour has consistently increased (Porter and van der Linde 1995; Harrison, and Wicks 2007). In particular the concern of investors in checking firm's sustainability both in term of the survivability in the long run and of societal and environmental impacts of the business model has soared.

The interest of investors towards philanthropic and ethic practices is a direct consequence of the concerns of customers. In facts, its naïve to demonstrate how the financial performance of the company and so the return for investors heavily depends on the choices of customers. And costumers, as explained above, are putting a great deal of stress on the sustainability features of products and of companies (Lv et al., 2019). In order to mitigate these new emerging risks for the investors and thus to secure the access to the capitals needed for their everyday functioning, the engagement of businesses in environmental and community practices has increased. In facts, according to Dhaliwal, Tsang, and Yang (2011) CSR activities seems to facilitate the access to new capital and to lower the cost of it. Similarly, Cho, Lee and Pfeiffer (2013) suggest that investor confidence is increased and the perceived "information asymmetry" in the capital markets decreased when CSR performance is divulgated. Insiders know more about a company and its future prospects than investors do, consequently potential stakeholders will protect themselves by offering a lower price. To overcome this imbalance, companies can increase the disclosure of credible information (CSR) beyond the mandatory requirements thus reducing uncertainty for investors. Interestingly, both positive and negative CSR performances reduce information asymmetry. Moreover, the influence of negative CSR performance is much stronger than that of positive (Cho, Lee and Pfeiffer, 2013), confirming once again that the risks associated with philanthropic activities (or its absence) are extremely high .

There are other reasons beside the reduced information asymmetry that push companies towards the engagement in ethically-oriented practices. "Socially responsible investing theory" (Barnett and Salomon, 2003; Domini, 2001) and the research on "ethical investing" (Mackenzie and Lewis, 1999) emphasize an alignment between a potential investor's ethics and his expectations of corporate social performance. The theories suggest a relationship between reputation and market value. In other words, an investor is more likely to invest (and less likely to disinvest) in a company displaying his same ethic values (CSR) and this is particular relevant when the capital is most limited and needed, namely times of crisis.

Shareholder perception of sound and fair organizational actions and goals, obtained through high-quality and comprehensive disclosure of CSR activities (Freeman et al. 2007; Zahller and Roberts, 2015), not only provides the organization with an higher amount of financial resources, but also a lower cost for accessing it. Furthermore, a more sound financial structure, beside of acting itself as a shock buffer or absorber during crises (Peric and Vitezic, 2016), normally provides access to further financial resources (Pal, Torstensson and Mattila, 2014; Gunasekaran, Rai and Griffin, 2011).

Accordingly to the findings of Ortas and Moneva (2010), during the challenging times of economic crisis, stock investors consider companies that pay attention to environmental and social themes as more trustworthy and hence allow them more time to adjust. On the same line is the research conducted by Adger (2000) on the quality of CSR disclosure: high quality CSR disclosure allow the firm less disinvestment and more time to recover in times of adversity. Having not only the investor trust, but also more time granted to financially recover, is indubitably a sought feature in times of crisis.

Although the scholars support the hypothesis that previous disclosure is a sign for investors of the organization's management of social and political risks, they wonder that the additional information on social responsibility could also be a proxy for something else. A primary role in explaining why the trust of investors is increased when CSR activities are put in place, is played by, accordingly to many authors, the “signalling theory” (Zahller, Arnold and Robertson, 2015). The perspective assumed is that firms, in order to attract capitals, need to *signal* that they are different (better) than the other competing companies in the market. The signally theory applied to the CSR disclose is proven to be particularly effective prior to an industry disaster and the relative spill-over effects. Blacconiere and Pattern findings (1994) indicate that, similarly as for the customers base, CSR disclosure is correlated with a less of a market downturn for the company value in capital markets.

Business partners

Enterprises are strongly interdependent each others in the business ecosystem. For the purpose of anticipating and facing dramatic environmental changes, an organization needs to cooperate with the other entities in its network in order to acquire information, knowledge and resources (Lengnick-Hall and Beck, 2005). Using other words, Erol and Sauser (2010) suggested that companies should partner with other businesses, with customers and suppliers in order to form an *"extended enterprise"* with the scope of connecting effectively and efficiently different actors and therefore integrating information, resources, knowledge and processes. The alliance, in the authors' view, is an "unavoidable" step in the path towards survivability.

According to Zhang et al. (2014), developing CSR activities is one of the ways to reach "high level of trust" from the business partners and so, using again Erol and Sausers' words, to create the "*extended enterprise"*. As a demonstration of that, Zhang and his colleagues found evidence in their study on the transition economies that CSR practices help to establish and consolidate business relations, in particular with suppliers. Those relations in turn benefit the company in prosperous times (buffering resources for adverse conditions), but are particularly useful in turbulent times providing the company more "flexibility", "resources access" and "trust".

The specific benefits in term of resilience obtained through a wider acceptance of the enterprise in the business community space across many areas. While a tight relation with suppliers can guarantee "flexibility" and "innovation" (Lv et al., 2019) being an active and esteemed member of the broad business community in a era of rapid changes guarantees "access to critical information and opportunities" (Weber, 2008; Holme, 2010). In facts, being in touch with other similar actors and being accepted in the business ecosystem can give access to the newest best practices and technologies (Smith, 2007). In addition, according to Smith, an extended network, such as a professional one, can provide a level of "rapidity" and "sensitivity" in threats detection that a single actor cannot deploy alone.

Finally, as M&A are common responses to market downturn (Grave, Vardiabasis and Yavas, 2012) and that they required an high level of trust in the future partner, CSR can be the source of such trust, thus facilitating the formation of new partnership and ultimately increasing the range of responses and resources available to companies in times of crisis (Ortiz-De-Mandojana1 and Bansal, 2015).

Society at large

> Organizations seek to establish congruence between the social value associated with or implied by their activities and the norms of acceptable behavior in the larger social system of which they are a part….When an actual or potential disparity exists between the two value systems, there will exist a threat to organizational legitimacy. These threats take the form of legal, economic, or other social sanctions.
>
> Dowling and Pfeffer (1975, p. 122)

No other relation with a group of stakeholders is built upon the "legitimacy theory" as much as the one with the general community. Deegan and Unerman (2011) explained how, in this case, the legitimacy theory comprises both the expectations of the community's members and the actions taken by the firm in order to meet such expectations. The point of contact is the so-called *social contract.* Breaking it can have severe consequences for the firm, such as "boycotts", "increased regulation and taxation", "restricted access to resources", "fines" and "penalties" (Freeman et al. 2007; Tang, Hull and Rothenberg, 2012; Dhaliwal et al. 2011). For these reasons, organizations try to behave as "good neighbours" (Zahller and Roberts, 2015) and a common way is to include CSR practices in their operations (Lv et al., 2019).

As to start, it is interesting the original study of Reevis, Levin and Ueda (2016) which compare the company and its environment to biological species. The company and the species are both referred to as *"complex adaptive systems"*. The system is then nested in two broader environments: while a population (biology) is part of a "natural ecosystem" and then of the "general environment", the broader systems in which a company operates are firstly the "business ecosystem" (*transactional environment*) and then the "societal one" (or *general environment*). In order to survive, the attention to the environment surrounding the company is as much essential as developing internal capabilities and cohesiveness. For this reason, the relations with external agents not only need to be preserved, but also nurtured, meaning that excessive exploitation should be avoided and actions that provide short-term advantages at the expense of long term flourishing of the relation are not to be undertaken.

In the same optics of managing the trade-off between long and short term orientation, the theory brough forward by Ortiz-de-Mandojana and Bansal (2016) states that CEOs must ensure that their companies contribute positively to the system from which they receive benefits in a degree sufficient to justify participation. In other worlds, it is the company that needs the society more than the opposite. In this sense, particularly popular and hence studied, are the acts of charity (File and Prince, 1998). Once again, for both CSR per se and for the acts of charity, operationally, the vessel is an increased *reputation* (Zahller and Roberts, 2015). Analogously to other dimensions of CSR, society-related CSR provides a solid good image of the firm and draws close the distance between the enterprise and the public. Furthermore, in emerging markets, involvement in society-related CSR can even signal the ability of the company to fill institutional gaps and thus further increase the firm reputation (Su et al., 2016). With respect to other effects, a good reputation helps companies gain “political legitimacy" (Zhao, 2012; Werner, 2015). In turn, “political legitimacy” is proven to influence the attitude of policy makers (Winston, 2014). For instance, a favourable reputation allows the firm to take part in the regulators’ policy-making process, to be supported in innovative activities, to be granted preferential tariff and taxes and in general it is considered a source of competitive advantage (Xavier, Bandeira-de-Mello and Marcon, 2014). Continuing with the analysis of the benefits of community-directed CSR, accordingly to “the risk detection framework” (Kurucz et al., 2008), the members of the community in which the firm operates can serve as early warning system for shocks such as strikes and changes in regulation (Harrison et al., 2010). Ortiz-de-Mandojana and Bansal (2016) build on the same line and report the case of a mining company with a good community relations which was able to identify cases of water contamination way faster than an hypothetical company which would never interface with the community. Generally, good relationships with the community allow the companies to detect new threats earlies and thus to control the financial damage associated with them. Remaining in a risks-prevention framework, beside the increased reliability of the network in the general threats spotting process, CSR can reveals itself particular useful for managing a particular source of threats: “new legislations”. Being CSR, by definition, the taking on of behaviours for which there is no binding legal obligation but that respond to important or emerging social groups, there is a strong probability that those concerns over time will be safeguarded by new legislation. In that case, the companies that already engaged in the practices that will be deemed mandatory, will adjust faster, at lower cost and also will experience a temporary competitive advantage (Patrizia, 2012).

To sum up, we expect that the commitment towards CSR would foster organizational resilience.

Hypothesis 1: the attitude towards CSR will positively affect Organizational Resilience.

3.2 The relationship between CSR and Resilience: the Positive Psychology's perspective

As mentioned in the first chapter, the impact of the positive disciplines in the study of resilience is pivotal and pervasive. Therefore, a deepening in how "Positive Psychology", "Positive Organization Scholarship" and "Positive Organization Behaviour" shape the relation between CSR and Resilience is imperative.

The main lens is provided by the framework of "virtuous organizations". The term "*virtuous"* as positive trait of individuals, groups and organizations was coined by Cameron in 2003 in his cornerstone book: "*Positive Organizational Scholarship: Foundations of a New Discipline*". The professor and researcher of University of Michigan drew directly from Plato and Aristotele: the trait (virtuousness) is expressed through, as reported by the American scholar and the two Greek philosophers, "the desires and actions that produce personal and social good" (Cameron 2003, 49). More recently, "virtuousness" was also described as the "highest aspirations and the excellence of human beings" (Comte-Sponville, 2001; Weiner, 1993; MacIntyre, 1984).

In organizations settings, virtuousness is often described by words such as "hope", "gratitude", "forgiveness", "altruism", "compassion", "resilience" and other similar (positive) values (Snyder, 1994; Seligman, 2002a, 2002b; Peterson & Bossio, 1991; McCullough, Pargament, & Thoreson, 2000; Emmons, 1999).

What is common for this set of values is that they represent processes and outcomes that are good to and good for human beings, not only for the agent undertaking the action (Cameron, Dutton and Quinn, 2003).

3.2.1 Organizational Virtuousness and CSR

First of all, organizational virtuousness does not refer to an all-or-nothing condition. Rather, single individual's activities or collective actions and cultures may enable or disable virtuous deeds (Cameron, Dutton and Quinn, 2003). Secondly, the definition of organizational virtuousness is built upon three distinct but related concepts:

1) *Effects on human beings*. Desires and actions without any human impact are not virtuous. Any process which leads to "flourishing", "moral character", "human strength" or which provides "purpose" in individuals and groups is potentially virtuous. "Interpersonal

relationships", "meaningful work", "enhanced learning" and "personal development" are common indicators of virtuous organizations (Ryff & Singer, 1998);

2) *Moral goodness*. Virtuousness represent what is good, right and worthy cultivating. Given the definition, it appears imperative to provide more clarity on what is *good*. All societies and cultures possess catalogs of traits they deem virtuous (Snyder & Higgins, 1997) and those catalogs are similar each others around the globe. But in order to provide a definition of moral goodness beyond dispute, the author resorts once more time to Aristotle (Metaphysics XII, p. 4) and his "good of fist intent": a virtuous act is a wilful action "which is good in itself and is to be chosen for its own sake";

3) *Social betterment*. Virtuousness is associated with creating social value. Notably, the social value must be extended beyond the instrumental desire of the actor. Forgiveness, courage or compassion are not virtuous if experienced in a recompense seeking context (Cawley, Martin, & Johnson, 2000).

When applying the above criteria to the common definition of CSR as: ".. a type of international private business self-regulation that aims to contribute to societal goals of a philanthropic, activist, or charitable nature by engaging in or supporting volunteering or ethically-oriented practices" (Sheehy 2015, 18), we verify that all three conditions are met. In facts, CSR has an indubitable impact on human beings (1), it is generally considered as worthy of cultivating (2) and provides social betterment as this is its main goal (3).

Nevertheless, as we discussed in the paragraphs above, assuming that CEOs of multinational companies purposely decide to engage in (costly) philanthropic activities without any instrumental purpose is naïve. Precisely what has been used to explain CSR investments in the previous paragraph, namely the gains in reputation, is defined, in this new optics, as the instrumental benefit and therefore the reason to deem the relation as reciprocal (Batson, Klein, Highberger, & Shaw, 1995; Weiser & Zadek, 2000). Consequently, the second criteria would not be fully met. But in this case, the author itself, Cameron, comes to our aid stating that, although the definition of what is virtuousness is broader and not limited to CSR, pro-social and environmentally friendly behaviours can definitely be included in the field of what is virtuous (Cameron, Dutton and Quinn, 2003). Ascertained how the businesses' concerns with environmental and societal betterment is *virtuous*, the next logical step is understanding how virtuous organizations exhibits the trait of Resilience.

3.2.2 Virtuous organizations and resilience

The mechanism through which virtuous behaviours foster resilience is threefold:

1) Single virtues foster resilience in individuals;
2) Virtuousness itself has an amplifying and a buffering effect;
3) Virtuousness provides a sense of purpose.

Firstly, the single virtues taken separately, are proven to be associated with resilient behaviours at individual level. *Forgiveness* is linked to, among other things, broader and stronger social relationships, higher satisfaction with life, less physical illness and faster recovery from adverse events (McCullough, 2000). Similarly, people showing *compassion* demonstrate less depression, reduced moodiness, less mental illness and also higher levels of connectedness and moral reasoning (Bateman & Organ, 1983; Kahan and Nussbaum, 1996). Moving to *integrity*, studies at individual level have proven its association with positive affects such as self-esteem and quick recovery (Spencer, Josephs and Steele, 1993). The last example is provided by *hope* and *optimism* that, accordingly to Peterson and Bossio (1991), Snyder et al. (2000), Elliott et al. (1991) are linked with better social relationships, pain tolerance, flexibility in thinking, perseverance and recovery from trauma or illness.

Within the amplifying effects of virtuous actions, three mechanism are worth highlighting: "positive emotions generation", "social capital enhancement" and "prosocial behaviour". When members experiment or observe compassion, altruism or helping behaviours their pride in the organization increases, enjoyment and satisfaction with the job surge and in turn "love, empathy", "verve", "zest" and "enthusiasm" (positive emotions) are experimented more often (Fineman, 1996; Cameron, Dutton and Quinn, 2003). Positive emotions, in the moment in which are felt, accordingly to the *build-and-broaden theory* of Barbara Fredrickson (2001), foster "awareness" (deep understanding of the moment) and push towards experimenting new patterns of thoughts and actions. While in the short term this means that positive emotions avoid the innate human being predisposition to reduce the courses of action deemed as feasible during a crisis ("threat rigidity") (Staw, Sandelands, and Dutton,1981), in the long term those novel patterns build new skills and resources which can be used to face future crisis (Cameron, Dutton and Quinn, 2003).

Secondly, as social capital is unanimously considered the foundation of resilience because of its association with high levels of energy, information exchange, commitment, communication and learning (Aldrich, 2012), acts of virtuousness, through their positive effects on social capital can enhance resilience. New social capital is built whenever *high-quality connections* are forged, and the best way to build high-quality connections is by mean of virtues such as "caregiving", "empathy", and "trust". Moreover, observing virtuous actions creates a sense of attachment and attraction toward the virtuous actor (Bolino, Turnley, & Bloodgood, 2002).

Thirdly, virtuousness fosters "prosocial behaviour", meaning that individuals behave in ways that benefits other people and are inclined towards altruistic behaviours when experiencing virtuousness themselves. The importance of this third mechanism lies on the interrelation between CSR and resilience. The two constructs are not only linked by a cause-effect relation, but also by mean of a continuous positive circle of reinforcing actions. Practically, observing virtuous actions such as altruism, trust in the others or a sense of belonging to the human kind, both helps unlocking the human predisposition towards behaving in ways that benefits other and the resilience of individuals (Kallgren, Reno and Cialdini, 2000).

Then, given the topic of the research, the most interesting effect of virtuousness is buffering from negative effects of crisis. At individual level, as reported above, a variety of virtues such as optimism, integrity, compassion, faith, honesty and forgiveness have been proved to shield agents against dysfunctional behaviours, depression and distress, but also to foster quicker recovery measured as cardiovascular health and ability to concentrate (Masten et al., 1999; Seligman and Csikszentmihalyi, 2014). At the group and organization levels, virtuousness enhances the ability to absorb threats and trauma and to bounce back from adversity (Dutton and Heaphy, 2003).

Particularly interesting is the case of downsizing. Downsizing is not only the inevitable result of the adverse event, but can become itself a source of threats as it usually causes further loss in morale, trust and social capital (Baker and Dutton 2007). If the responses to downsizing are, as commonly happens, blaming, anger, victimization or self-interest, ultimately the economic performances further deteriorates. On the contrary, if acts of virtuousness are shown, especially from the top management, the damages done by the downsizing can be forgiven and resiliency, solidarity and group efficacy are generated or preserved (Cameron et al,.2011). The main reason why virtuousness is particularly important in times of crisis is because it works as an antidote towards the typical dissolution of social capital during downsizing phases (Cameron, Dutton and Quinn, 2003). When employees are laid off, the psychological contract is broken and the glue that binds the workers to the firm is dismantled (Rousseau, 1995). On the contrary virtuousness is demonstrated to forge *high-quality connections* and social capital (Stephens, Heaphy, and Dutton, 2012). For this reason when the scaling-down is coupled with demonstrations of virtuous acts, social capital is preserved. Consequently, morale is maintained, voluntary turnover is reduced and productivity is not jeopardized (Turner, Barling and Zacharatos, 2002).

Finally, virtuousness provides a “fixed point in a sea of change” of what is desirable, aspirational and honourable. In other words, “virtues serve as that fixed point, helping organizations maintain the capability to effectively steer their way through conditions of unpredictable change” (Cameron, Dutton and Quinn 2003,131). Clearly, stating the company’s values and mission is a manner to fix the point towards which the firm’s members are “cohesively navigating” (Dutton et al., 2002).

The fixed point provided by virtues and the stating of companies values, both deliver a sense of purpose that builds human capital and commitment, provides motivation and stability and both strengthens the ability to absorb stress and to bounce back from traumas (Gittel, 2000). Company values that can guarantee a sense of purpose, beside care for employees and customers, transparency and pride in the organization, are a sense of respect for the environment and a desire to positively contribute to the society (Ortiz-de-Mandojana, Bansal, 2016).

What is common among all the paths identified by the scholar belonging to the Positive Psychology is that they are all *internal* to the company. In other words, the researches, when justifying the link CSR-Resilience, did nor recur to features such as enhanced external reputation, expanded access to resources or higher level of cooperation with other agents. On the opposite, all the predicted (positive) effects of a more sustainable firm impact the resilience of the organization’s members which, in turn, made the whole organization more resilient. However, it must be underscored that not all members of the organization have the same impact on the performances of the firm, but that, naturally, the actions and qualities of the entrepreneur are the ones more significant in influencing the performances of the firm.

Hypothesis 2: the Individual resilience of the entrepreneur will mediate the effect of CSR on Organizational Resilience.

3.3 How Social Capital influences the effect of CSR on Resilience

3.3.1 Social Capital

In 2012, the European Commission founded a project named "Networking for better Corporate Social Responsibility (CSR) advice to Small and Medium Sized Enterprises (SMEs) " as part of the "Europe 2020 Strategy" (European Commission, 2012).

The aim of the project was to create links among small and medium enterprises and among professionals advising such SMEs on the topics of CSR around all Europe. The Directorate General for Enterprise and Industry of the European Commission, through the networking, reportedly aimed at providing the opportunity to companies and professionals to learn from each others, to gain insights into critical information and to access tools to support their pro-social, green and philanthropic activities (European Commission, 2012).

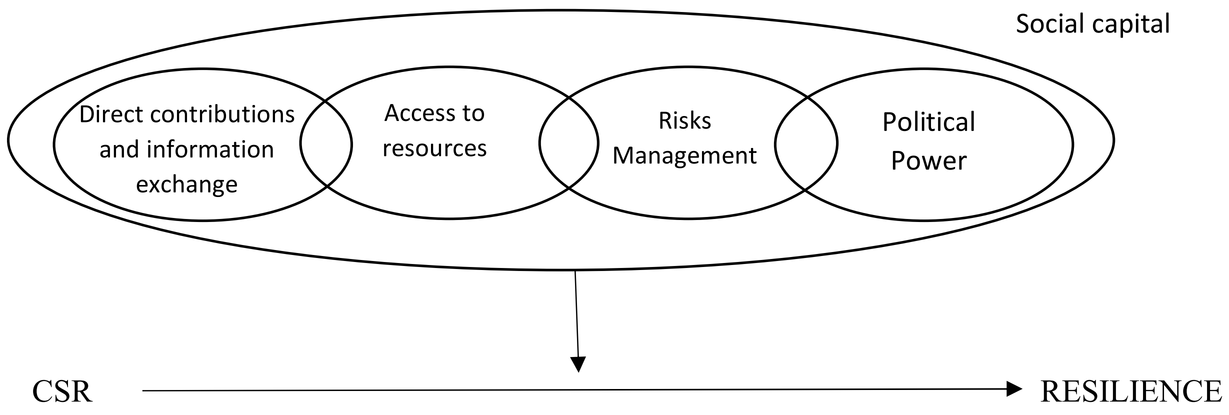
The reasons why the European Commission invested in a project of networking in the field of CSR are not limited to information exchange and will be the topic of this paragraph.

Social capital, defined as the sum of the formal and informal network of the subject, is commonly referred to as the fist and biggest *resilience enabler* in individuals, organizations and systems. This shared belief is due to the exclusive ability of the network to deliver emotional buttress, financial resources, valuable information and connections to other people (Lee and Wang, 2017; Elfring and Hulsink, 2003; Luthar, 2006; Newbert and Tornikoski, 2012; Jenssen and Koenig, 2002; Khelil, 2016; Vissa and Chacar, 2009).

3.3.2 Social Capital and the relation CSR-Resilience

At organizational level, as companies tap into their networks when responding to adverse events for needed resources, insight and assistance, social capital is naturally deemed essential in the resilience building process (Leana & Van Buren, 1999). But its positive effects on the process are not just the direct ones. Indeed, as it will be discussed in this paragraph, social capital can also assume the role of moderator, enhancing the beneficial effects of CSR on organizational ability to foreseen threats, to adapt to adverse moments and to overcome difficulties.

Figure 3.2 *Social capital and the relation CSR-Organizational Resilience*



Source: own elaboration

A needed premise is that, as the majority of the scholars claims that the benefits occurring to the companies performing pro-social or environment-preserving activities are expressed by form of higher *reputation*, the wider the network (social capital) the higher the number of opportunities to exploit all the benefits related to reputation reported in paragraph §3.1. However, among the five groups analysed, the effects of network is higher among "business partners", "investors" and "society at large". The group that least is influenced by the dimension of the network is the one of "employees". Nevertheless, since the CSR positively affects the width of the talents pool from which the company "fishes", an higher professional or informal network could allow the entrepreneur to dispose of a wider pool of candidates (Ohlrich, 2015).

Starting with the first element of the graph, a wider network is firstly useful in two manners. On one hand, stakeholders could directly suggest which form of CSR would benefits them the most (Morsing and Schultz, 2006). In this way, the firm's investments in prosocial activities are not "blind" or one-sided but rather tailored around the stakeholders' needs (i.e. the ones of the community surrounding the firm or the ones of the consumers). Thus, using the right tools and pointing the CSR towards the right direction, the efficacy and effectiveness of the organization investment is increased and so the economic return of CSR. On the other hand, as mentioned in the section of the European Commission's website dedicated to "Internal Market, Industry, Entrepreneurship and SMEs" quoted above, a large business network will provide the company with almost completely free cutting-edge knowledge of processes and technology regarding CSR, hence delivering opportunities for cost savings and return increase.

The second path through which social capital can influence the impact of CSR on resilience is the fact that an extended network provides access to more resources. This means that, for example, the larger the network, the higher the possibilities, also thanks to the good image projected by CSR involvement, to access resilience-building resources such as low-cost financing and founding, partnership opportunities or insights on customers behaviour (Porter and Van der Linde, 1995; Kurucz et al., 2008). All the resources can be useful in implementing new CSR practices but also in increasing the effectiveness and in reducing the costs of the ones already in place.

Furthermore, sometimes networking not only boosts the efficacy of CSR, but it is a necessary condition to undertake it: accordingly to Lv and colleagues (2019), the main obstacles that SMEs face when trying to adopt environmental innovation are the lack of resources, in particular finance, time and expertise, obstacles that can be overcome with a solid network.

Tell (2001) builds on the same line and adds how an high level of uncertainty and lack of confidence in managers are commonly preventing small and medium enterprises from undertaking CSR practices. However, he also suggests that SMEs working together in groups is an useful and efficient way of solving the problem of lack of resources and high managerial uncertainty.

Thirdly, given the importance of the mechanisms of risks spotting activated by the involvement on CSR activities, it can be assumed that a bigger network allows the company to better exploit its reputation gains and thus to obtain higher prevention capabilities (Lv et al., 2019). Moreover, according to the view of stakeholder as part of the environment to be managed (Berman et al., 1999), the bigger the network with which the firm directly interfaces, the higher the number of potential threats which are directly controlled.

Finally, when a businesses' network involved in ethic activities is big enough, not only there is higher probably of public involvement, patronage or public assistance, but the network itself can influence the policy-making process at local and national level. As a result, one form of threat, "public regulation", is better monitored, foreseen and managed (Winston, 2014).

Hypothesis 3*: the Network is expected to positively moderate the effect of CSR on Organizational resilience.*

3.4 Conclusions

Corporate Social responsibility and Organizational Resilience are unquestionably two of the most researched topics in the Organizational Behaviour field.

The areas of investigations of CSR include the reasons why companies decide to invest in prosocial and environmentally friendly practices, the several different options available to them and finally the consequences of such initiatives. At the same time, the research on resilience enjoy the presence of an enviable breath: the range of investigation spaces from individual to systemic resilience, from reactive to proactive attitude, from a state-like to a trait-like definition of the construct. The focus of this research, and of this chapter in particular, is the relation between the two concepts.

The findings of the literature review indicates the presence of two academic schools of thought: the traditional one, close to the organizational studies and to concepts such as “legitimacy”, “trust” and “stakeholders’ relations”, and the positive psychology one, naturally more concerned with “emotions” and “groups dynamics”. It is worth stressing how the two streams of research are not in sharp contrast with each others and rather, it is not uncommon to find references to the positive perspective in the papers publishes by authors considered as belonging to the traditional school and vice versa. The common ground is the expected positive effect of CSR practices on the organization capacity to foreseen threats, adapt and recover from adversities.

According to the traditional approach, the fulcrum is the increased *reputation* of the organization which, in turn, provides a waterfall effect on five different categories of stakeholders. On the other hand, the focus of Positive Psychology, Positive Organizational Scholarship and Positive Organization Behaviour is the virtuous organization and the emotions related to acts of *altruism* and *compassion*. The effect is threefold: positive emotions foster individual resilience, virtuousness can provide a sense of purpose to the organization’s members and finally virtuousness itself has an amplifying and buffering effect.

The analysis of the literature suggest also that some factors can significantly alter the relation CSR and Resilience. One of them, recognized by many scholar as the most important, was analysed in this chapter. The results of the examination suggest that the “social capital”, or “network”, is expected to positively impact the relation between CSR and Resilience and, more in detail, that it can positively moderate the relation through four pattern (“information gathering”, “resources access”, “risks spotting” and “political power”).

The next chapter will be devoted to testing the hypothesis formulated as result of the literature review.

4. CHAPTER FOUR

THE EMPIRICAL STUDY

4.1 Introduction

This fourth section is intended to test the set of hypotheses developed in the previous chapters which, in turn, result from an in-depth analysis of the literature on of the concepts of CSR, Organizational Resilience and the relation between the two.

Firstly, a broad description of the study from which data were obtained and of the sample are offered. Afterwards, some descriptive statistics have been performed in order to understand the main features of both the entrepreneurs and the companies under analysis. Although those statistics mainly refer to the firms specifically under analysis, meaning the ones which suffered a crisis in the five years prior to the interview, many comparison with the group which did not suffer a crisis are presented. Subsequently, the variables used for testing the empirical model have been described in the detail and the correlations present between them examined. The following steps involve the statement of the hypotheses of research, the specification of the model built and a description of the method deployed to test such model. The core part of the research is then presented when the empirical results are reported and discussed. In detail, the significant relationships together with the not significant ones are underlined and justified recurring to the pertinent literature. Lastly, some practical implications, of both theoretical and managerial nature, together with the limitations and the future prospects of the study are offered.

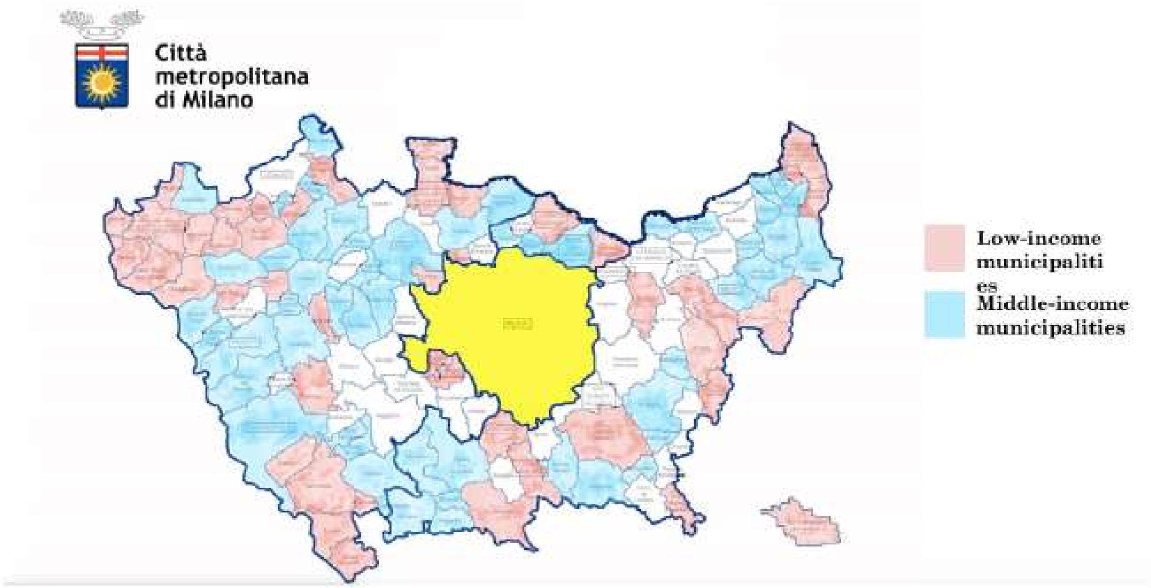
4.2 The research

The empirical model that I have built applies the data provided by a JP Morgan Chase Foundation's study. The JPMorgan's research was conducted in partnership with national Universities in five European countries in 2019. In particular the Warwick Business School and the Aston University collected data for English SMEs, the University of Nice for French SMEs, the Bonn University for the German ones, the IE of Madrid gathered data on the Spanish firms and the University of Padua collected information on small and medium Italian enterprises. The goal of the international research was to investigate which are the threats, but also which are the potential opportunities for leaders belonging to underrepresented (and at risk) groups. In fact, the study aimed at understanding how daily and strategic challenges vary when the business leaders display different backgrounds and operate in different locations. The set up of the study implies the possibility to offer practical suggestions for both the policy-makers and for the companies' leaders.

Accordingly to its scope and as anticipated above, the research was purposely developed with a focus on Small and Medium Enterprises, which, in any case, represent the 99% percent of all European firms (European Commission, 2018). To explore the disadvantaged side of entrepreneurship, the sample was also deliberately chosen among those firms located in arears typically associated with an adverse environment, such as the suburbs of a big city. In addition, a particular attention was given to immigrants and female entrepreneurs as, like Marshall demonstrated in 2015, their firms have a consistent higher probability to fail. Although the multi-national survey was executed in five big European cities namely London, Paris, Frankfurt, Madrid and Milan, for the completeness of data and for the availability of side sources of information (AIDA), the empirical analysis concerns uniquely the Italian firms. More in detail, the sample consists of 600 companies from the Milan area surveyed in February and March 2019.

The design of the research implies that only for-profit organizations were eligible, but also that the headquarter should be located in an areas which satisfies some specific criteria. As a matter of facts, across the metropolitan area of Milan, which consists of 3.242.000 inhabitants distributed in 133 different cities, three different categories of municipalities were identified: the category composed by municipalities with an average per-capita income lower than 23.499€ ("*low-income"*), the one with municipalities with an average per-capita income ranging between 23.500€ and 24.99€ (*"medium-income"*) and the category of municipalities with the average per-capita income higher than 24.999€ (*"high-income"*). Only the cities belonging to the *"low-income"* category (47 municipalities) and to the *"medium-income"* category (53 municipalities) were deemed eligible for the survey. On the same line, some quotas in terms of gender diversity (at least 300 companies led by female leaders) and immigrant background (at least 150 companies led by immigrant entrepreneurs) were set in order to investigate said personal characteristics of the entrepreneurs.

Figure 4.1 *Map of the Milan metropolitan area according to the average per capita income*



Source: report of the project

Moving to sample dimension, although its original size was of 600 firms, some adjustments were necessary in order to properly conduct the analysis.

First of all, the firms which did not experienced a situation of crisis in the five years prior to the interview were excluded as they could not provide any measurable indicators of recovery. After that, firms with key missing variables were excluded as well. The resulting 122 firms were the subject of the analysis.

4.3 Preliminary analysis

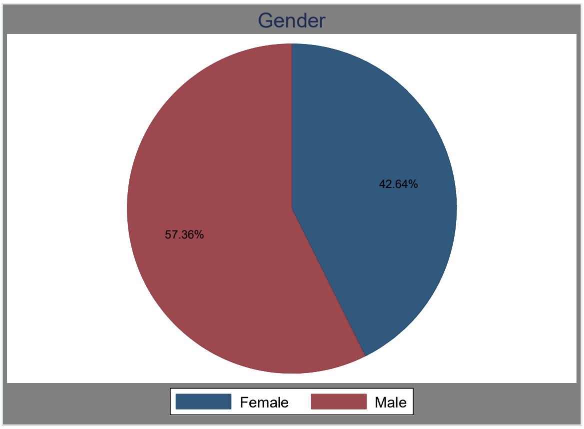
The database resulting from the questionnaire report has been integrated with data from AIDA in order to make it more adequate for the scope of the research. AIDA was created and distributed by Bureau van Dijk S.p.A, and contains mainly data regarding the balance sheets and the products classifications of Italian companies, both active and bankrupted, but with the exclusion of insurances, banks and public entities. For the data analysis the software Stata 15.0 was used.

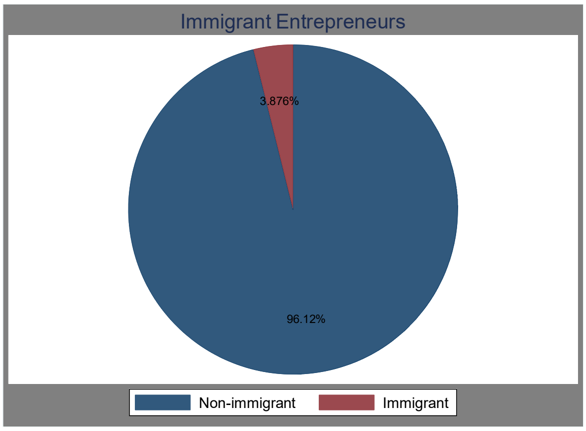
This first section will describe the sample, grouping the information in three categories, each one with a focus on either the entrepreneur, the firm or the crisis.

Characteristics of the entrepreneurs

Graph 4.1 *Gender of entrepreneurs*

Graph 4.2 *Immigrant background of entrepreneurs*



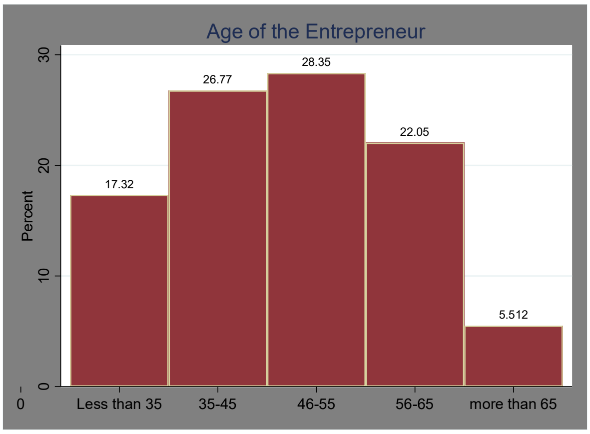


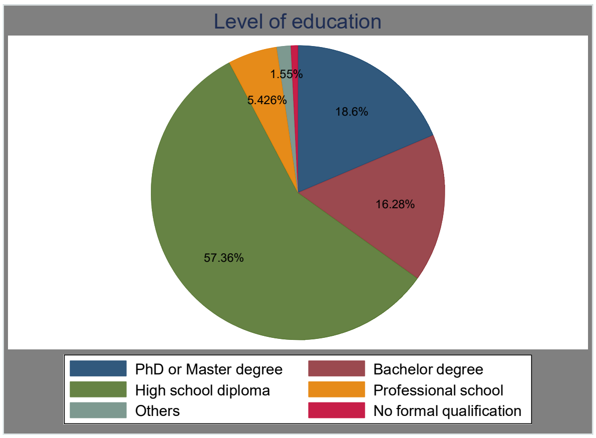
Source: own elaboration

Among the 122 companies in analysis, 69 are led by a male entrepreneur or by a management team composed for the majority by men, while in 53 firms the leader or the majority of the management team is female. The same balance is not found in analysing the background of the entrepreneurs as the immigrant ones are only 5 out of 122. The proportion does not reflect the total of the entrepreneurs whom take part in the survey as the immigrants are the 25% of the original sample of 600 companies. It must be noted that this discrepancy can be due to the lower probability to face a crisis for immigrants' companies, but also to the different perceptions of what a "crisis" is among the two groups. In addition to this, the unbalance can be the consequence of bias in the missing data, with immigrant entrepreneurs not reporting key data and so not considered part of the final analysis.

Graph 4.3 *Age of entrepreneurs*

Graph 4.4 *Level of education of entrepreneurs*





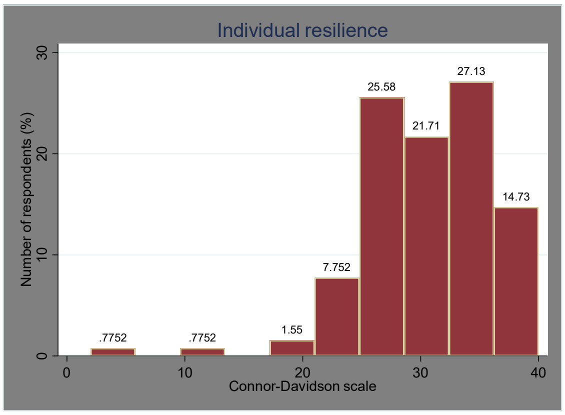
Source: own elaboration

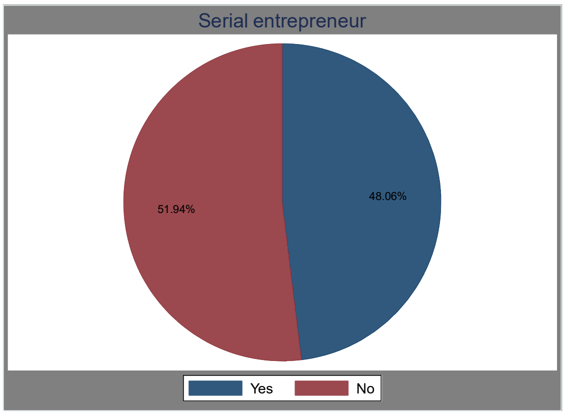
Continuing with the analysis of the personal characteristic of the entrepreneur, the increasing age of the category is confirmed as the vast majority of the respondents (77.15%) reported to be between 35 and 65 years old at the time of the interview and more than a half of them (55.91%) reported to be more than 45 years old. Only slightly more than 17% of the sample was younger than 35 years old in the year of the survey.

Moving to the formal education, more than 6 out of 10 entrepreneurs posses as the highest qualification an high school diploma or a professional school certificate (62.78%) while the 18.6 % and 16.3 % of them achieved respectively a PhD/Master degree or a Bachelor degree.

Graph 4.5 *Individual resilience of entrepreneurs*

Graph 4.6 *Serial entrepreneurs*





Source: own elaboration

Moving to features more related with the scope of the research, the individual resilience of the entrepreneurs, measured with the Connor-Davidson scale, displays an average of 30.79 points (SD= 5.85). The "Connor-Davidson Resiliency Scale ", here presented in its restricted version with only 10 questions, comprises questions regarding the capacity of the individual to manage stress, difficulties and change, but also its determination and self-confidence. Those questions cannot be reproduced here as protected by copyright. Furthermore, the scores cannot be compared with other samples and researches as the scale applied in the JP Morgan Chase's questionnaire ranges from 1 ("not true at all") to 5 ("true the most of the times") while the standard values are comprised in the interval 0-4.

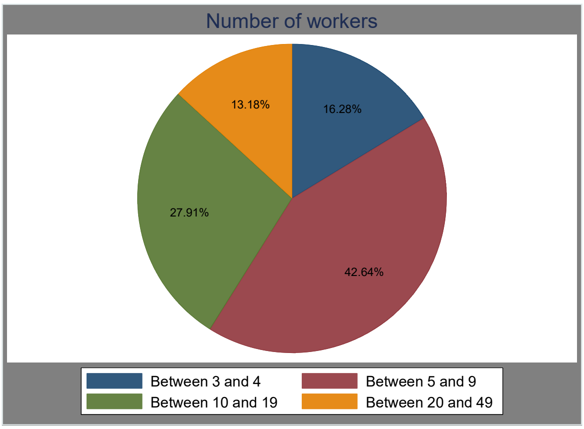
However, the two-sample t-test on equality of means did not provide evidence of a statistically significant divergence between the group of entrepreneurs which experienced a crisis and the one which did not.

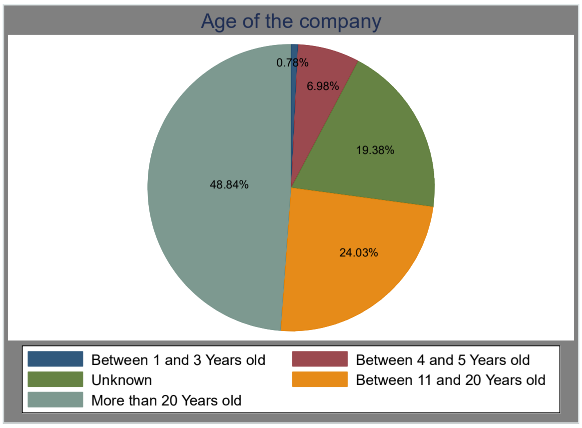
If the past seems to not be influential in term of building resilience, other previous experiences seems to favour the starting of a new venture. In fact, the 48% (58 out of 122) of the entrepreneurs can be defined "*serial entrepreneurs*" as they, at the time of the interview or before, managed at least another company. The same proportion of respondents (48%) was the founder of the firm they are currently managing.

Characteristics of the company

Graph 4.7 *Size of the firms measured by the number of workers*

Graph 4.8 *Age of the company*



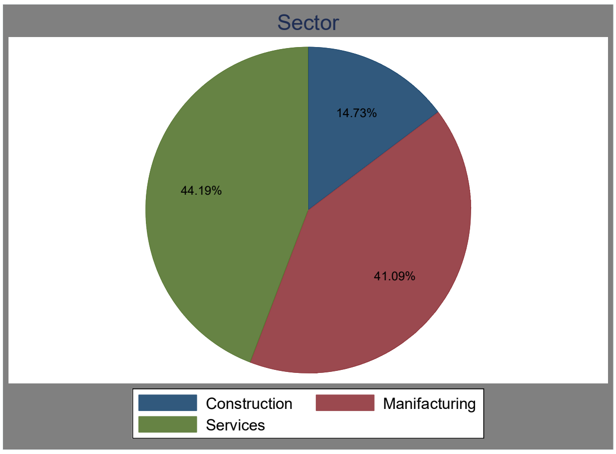


Source: own elaboration

Starting with the size of the companies, it is possible to observe how more than an half of the sample (58.92%) is composed by "micro-enterprises" employing less than 10 employees, more than a quarter (27.91%) by firms which employ between 10 and 19 workers and only the 13% of the interviewed reported to give work to more than 20 people. For comparison sake, in the general sample of 600 firms (both firms which experienced crisis and companies which did not), the "micro-enterprises" are the 55% of total, thus a percentage very similar to the one of the sub-sample in analysis.

Continuing with the year of foundation, we observe that almost one half of the firms had been operating for more than two decades, being started more than 20 years before the interview. In addition, while only one company among the ones that experienced a crisis was started between 1 and 3 years before the interview (0.78%), nine of them were 4 or 5 years old (6.98%) and 31 had an age comprised between 11 and 20 years (24.03%). Almost the 20% of the companies' managers, 24 of them, refused to specify or did not know exactly when the company was founded.

Graph 4.9 *Sectors*

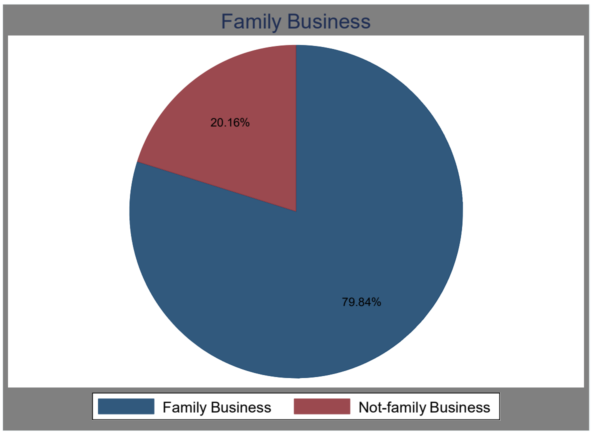


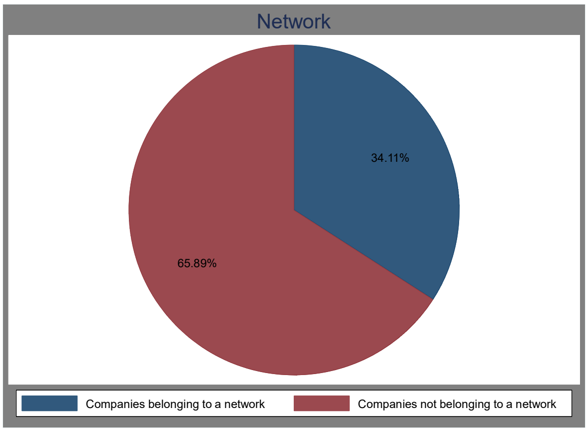
Source: own elaboration

Moving to the sector, the 14.73% of the companies operates in the constructions sector, more than the 40% in manufacturing and almost the 45% of them are services firms. Inside the category "*Services"* almost one half of the companies (roughly the 20% of the total) are classified as "*Retailers or Wholesalers*" while the rest is almost equally divided between "*ICT*", "*Administrative and Support Services*" and *"Professional, Scientific or Technical Services"*. If we cross the data on the sector with the dummy variable indicating the origin of the entrepreneurs we find, with no surprise, that the majority of immigrant entrepreneurs works in services.

Graph 4.10 *Family business*

Graph 4.11 *Network*

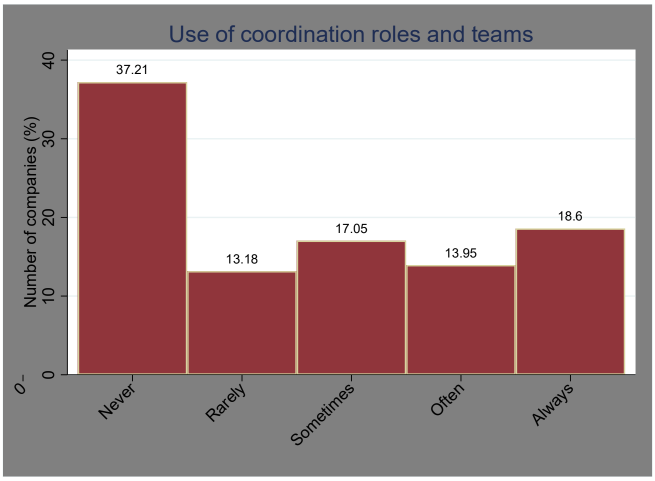




Source: own elaboration

A typical trait of Italian SMEs is their strict relation with the family of the funder-manager and the sample confirms the tendency with 4 out 5 companies (79.84%) being labelled by the same entrepreneur as "*family business*". Another trait vastly exhibited by the companies of the sample is a low degree of affiliation to business networks (i.e. "Confartigianato", "Confindustria") with only one out of three companies being a member (34.11%). In any case, the percentage (34%) is the same for companies which experienced crisis in the last 5 years and for the whole sample of 600 firms.

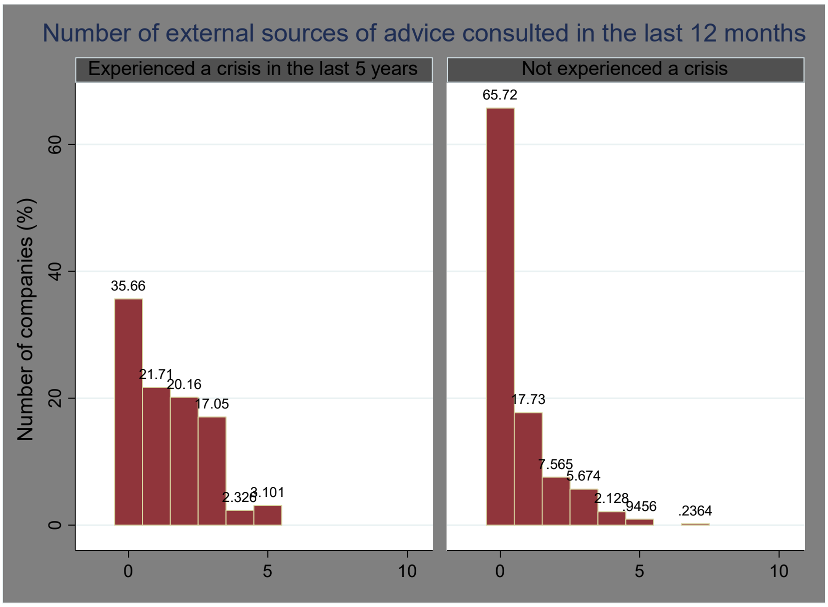
Graph 4.12 *Coordination level*



Source: own elaboration

With regards to the internal dynamics, an important role inside companies of all sizes is played be the coordination of the various members and departments. Coordination facilitates the flow of information and resources, but also foster rapidity in responding to changing environmental conditions (McManus et al., 2008). As far as the 122 firms of the sample are concerned, the 37.21% of them (40), according to the respondents, did not resort to "product managers, project managers or to task forces". This could be related to the size of the companies as, like Dana et al. (1999) reported, SMEs naturally favour more informal models of communications (which would not fall inside the categories mentioned in the survey). However, almost one in five (18.6%) of the firms reported to "always recur to coordination roles", the 13.95% to do it "often", the 17.05% to do it "sometimes" and the 13.18% "rarely". When testing the divergence in this indicator (two-sample t-test on equality of means) between companies which experienced a crisis and the ones which did not, we find no evidence of a statistically significative difference.

Graph 4.13 *Number of external sources of advice*

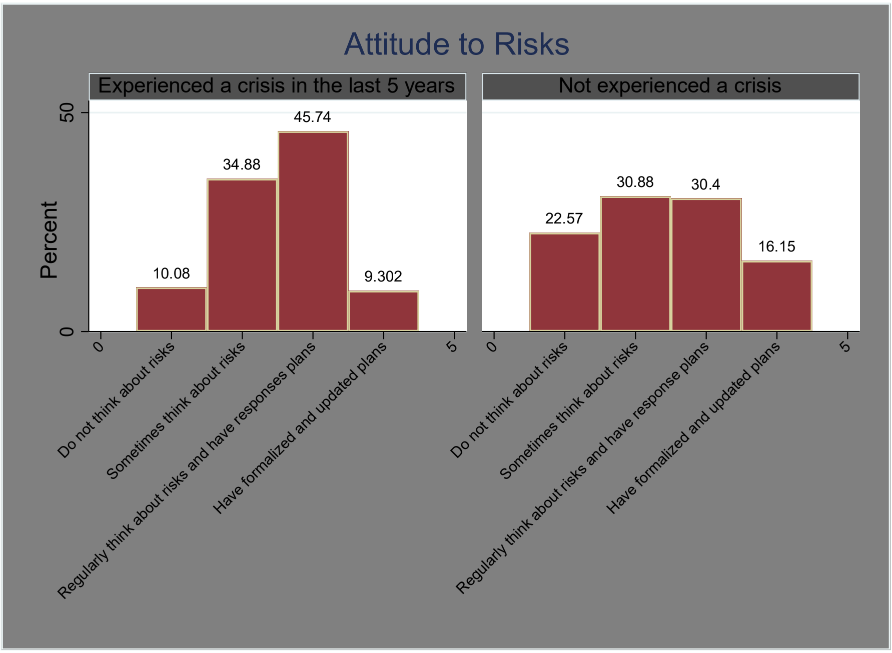


Source: own elaboration

Conversely to the previous variable, the number of external sources of information consulted in the prior 12 months is heavily affected by the crisis experience. As a matter of facts, the percentage of entrepreneurs reporting to not have asked for advice to any external source in the year previous to the interview is the 35.66% for the group which passed through the crisis and almost the double, 65.72%, for the other. The average number of external sources consulted by the first group (experienced a crisis) is 1.38 while for the second group it is 0.65. The t-test on means equality shows how the difference is statistically significant.

The possible external sources consulted listed in the questionnaire include “friends or relatives”, “consultants (legal or not)”, “banks”, “accountants”, “the business network”, “the public administration” and “local government”.

Graph 4.14 *Attitude to risk*



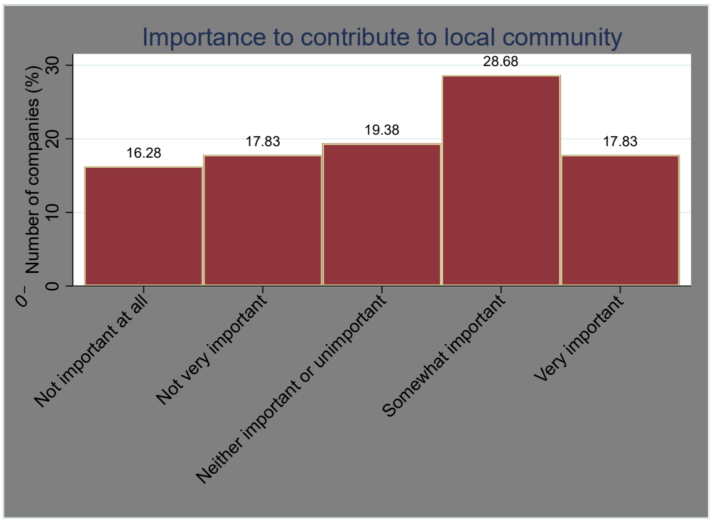
Source: own elaboration

In the survey, the approach to risk (*risk awareness*) is measured by the answer to the question: “how do you deal with the risks of the company?’” and the four possible and ordered answers were: “we do not think about risks until they manifest themselves” (1), “we think about them, but we do not have a plan to face them” (2), “we regularly think about risks and we have plans to face them” (3) and “ we have a formalized response plan which is constantly kept updated” (4). The percentage of companies which do not think about risks until they emerge is more than the double in the group which did not experience a crisis (22.57%) compared to the 122 companies which went though it (10.08%). Similarly, the answers indicate that more than an half (55.04%) of the companies which experienced a crisis have response plans (formalized or not), nine points more than for the group which did not experience a crisis (46.55%). Finally, the companies that “sometimes think about risks, but do not have plans to face them” are the 34.88% of the total among the ones which went through a crisis and 30.88% in the other group. A two-sample t-test on the equality of means demonstrated that the difference between the two is significant at 5% level.

Corporate Social Responsibility

Despite what the literature generally suggests, especially when comparing big and small firms (Hitchens et al., 2005; Petts et al., 1999, Tilley, 2000; Schaper, 2002), the interest for sustainability in small (at disadvantage) companies seems to be relevant. Moreover, the concern for the social and environmental sustainability of the company (the proper CSR) is, on average, higher than the one for contributing to the local community (3,73 vs 3.34 points).

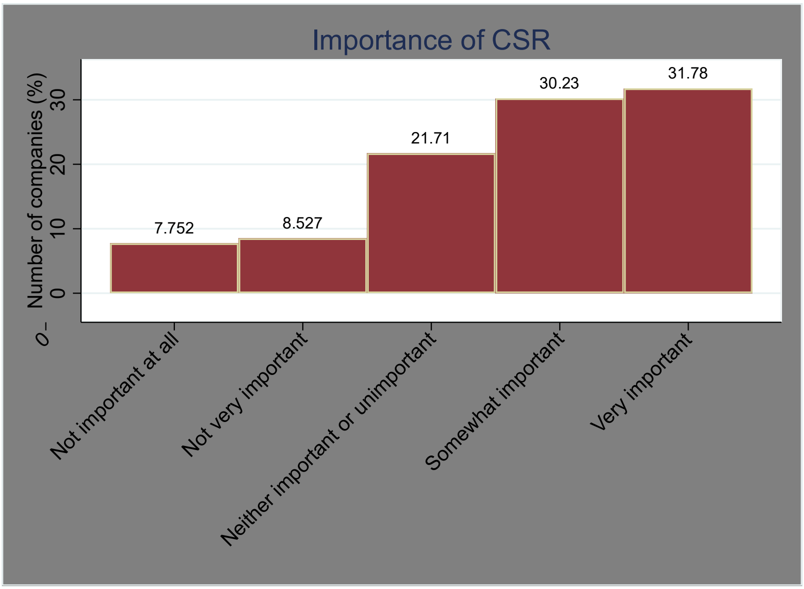
Graph 4.15 *Importance to contribute to local community*



Source: own elaboration

In detail, the 16.28% of the sample interviewed reported that for their company it is “not important at all” to contribute to the local community, the 37.21% that is either “not very important” or “indifferent”, the 28.68% that is “important to some extent” and the 17.83% that it is “really important”.

Graph 4.16 I*mportance of improving the sustainability of the company*



Source: own elaboration

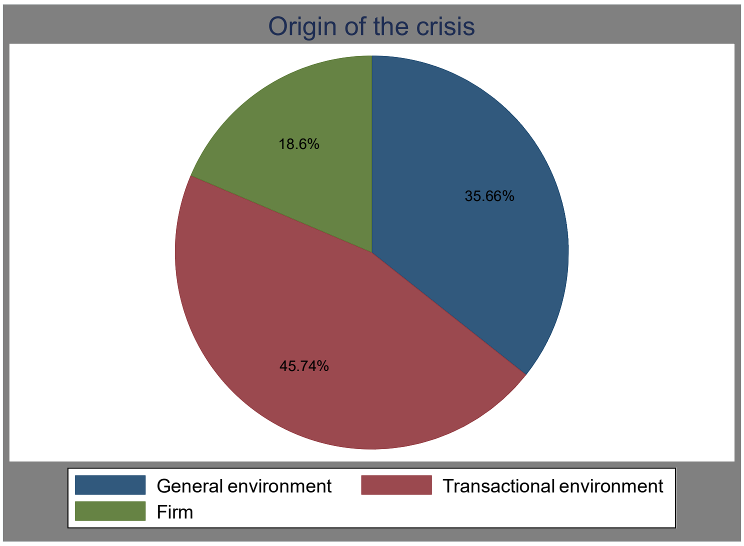
An additional question, similar to the last one, was asked to the entrepreneurs part of the survey: "How important is it for your company to increase its social and environmental sustainability in the next three years?" Coherently, no big differences with the answers to the previous question emerged, as the majority of the 122 entrepreneurs, more than the 60% of the total, reported that increasing the sustainability of the company is important ("somewhat important" or " really important"). However, the lower categories display some differences as only the 7.75% and the 8.53% of the respondents said that improving the sustainability of the firm is respectively not "not important at all" or "not very important" while the 16.28% and 17.83% of the entrepreneurs reported the same answers when the question regarded the importance to contribute to the local community.

The two-sample t-test on equality of means confirms that the difference between the two groups ("experienced a crisis" vs "not experienced a crisis") on the importance of CSR is not statistically significative.

In addition, the two indexes of prosocial behaviour, "importance of contributing to the local community" and "importance of increasing the sustainability of the firm" as expected, are strictly and positively correlated with the Spearman rho at 0.5065 and a significance level of one percent.

Crisis origin, intensity and recovery

Graph 4.17 *Origin of the crisis*

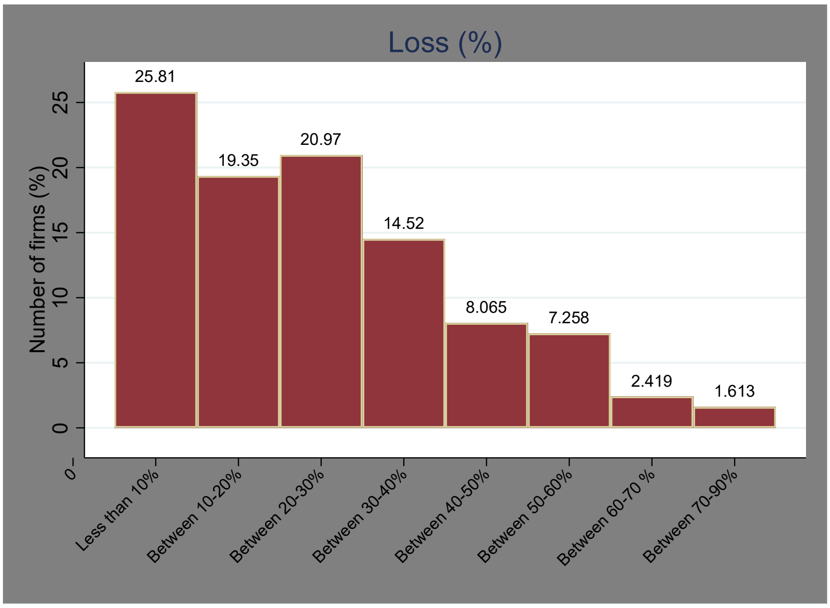


Source: own elaboration

Given the focus of the research and the goal of the analysis, it is crucial to understand the circumstances from which the crisis, that lead the entrepreneur to testify that the survivability of his or her company was threatened, originated.

As reported in the graph, the majority of the crisis situations took origin from the “transactional environment” (45.74%). Inside the category, “the loss or the failure of a client” was the most prominent cause (67,74%) followed by large distance by “the emerging of new competitors” (19,35%) and “the increased competition among existing competitors” (6,45%). Focusing on the internally generated crisis, in the 43% of the cases the source of the crisis was “the cash-flow”, in the 21,74% the crisis was related with “personnel problems” (either recruiting or loss) and, finally, in the 17.39% of the times were “the personal circumstances of the entrepreneur” to lead to a difficult time for the company. With regards to the “general environment”, in the overwhelming majority of the cases (68.75%) “strikes or industrial actions” were the cause of the crisis followed, by a great distance, by “changes in regulations” and “natural disasters” (16.67% and 8.33% respectively).

Graph 4.18 *Initial loss of Revenues*

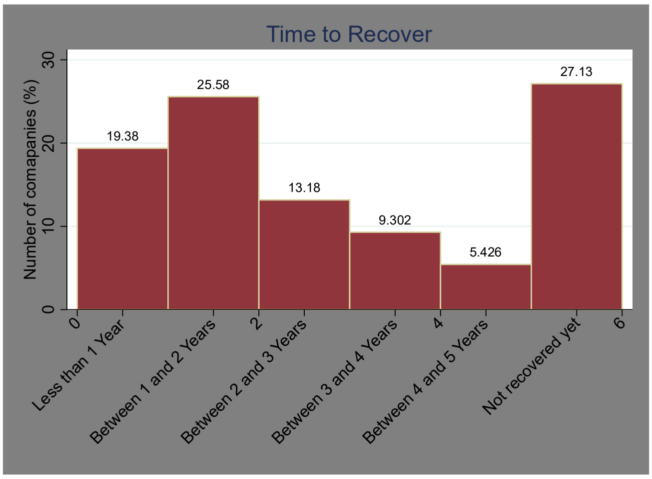


Source: own elaboration

The average firm suffered a loss included in the interval “between 20-30% of the initial revenues” and took 3 years to fully recover.

Interestingly, more than the 25% of the 122 entrepreneurs reported losses lower than the 10% of the initial revenues, but still stated that the survivability of the company was threatened. On average, two companies out of five (40.32%) lost between the 10% and the 30% of their initial revenues while less than the 20% of the companies lost more than the 40% of their initial revenues. Two companies lost between the 70 and the 80% of their revenues.

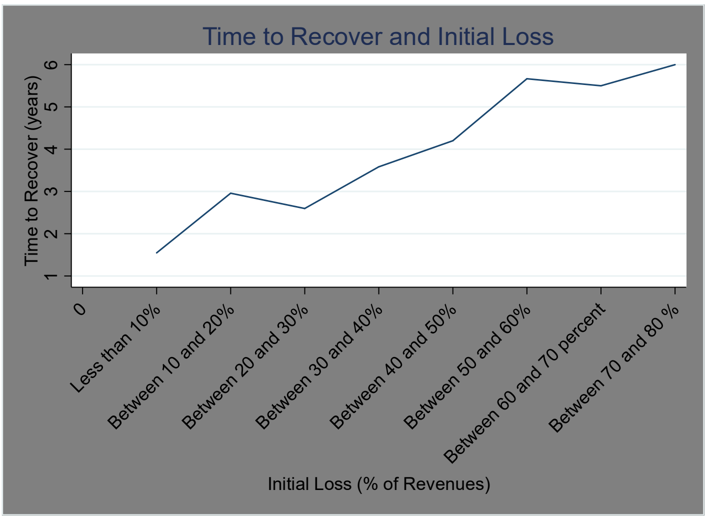
Graph 4.19 *Time to recover*



Source: own elaboration

With regard to the time needed to complete the recover, the 25% of the firms took between 1 and 2 years, roughly the 20% of them (23) took less than one year and lower proportions took more than 2 years. At the time of the interview, the 27% of the firms reported to not had fully recovered yet. However, the analysis of the data present in AIDA (mainly Revenues and EBITDA) allowed to verify that the firms belonging to this last category, on average, need 6 years to fully recover.

Graph 4.20 *Initial Loss and Time to Recover*



Source: own elaboration

The two measures of crisis consequences, as expected, are linked. The higher the initial loss, the higher the time needed to recover. The average firm recovered a little more than 10 points of revenues per year. The two group of companies exhibiting the highest velocity to recover were the one which lost between the 10 and 20% of their initial revenues and the one whose losses were comprised between the 50 and 60% of the original turnover.

When categorizing the time to recover by the origin of crisis, we can observe that the crisis born inside the company's walls are the ones in which the recovery is faster, with exactly one of three of the firms which fully closed the gap in less than one year and the 70% of them in 3 years at maximum. The difference is more blurred when comparing the crisis originated in the two different external environments. As a matter of facts, when the adversity is a "General environment" type, the 13% of the firms reported to have recovered in less than 1 year, one out three (32%) in 2 years and almost the 30% of the sample fully recovered the sales lost in a timeframe comprised between 2 and 5 years. On the other hand, when the crisis regarded the transactional environment (mainly costumers and competition) the 18,64% of the sample regained the sales lost in less than 1 year, the 40% in less than 2 years and the 50% in less than 3 years.

Thanks to the data provided by AIDA, it was also possible to distinguish the firms by sectors and thus compared them on the time to recover. If the "Construction" sector is taken into account, we observe that a very high proportion of the companies, almost the 50%, is concentrated in only two regions "Between 1 and 2 Years" and "Between 2 and 3 Years". One possible explanation could be the high cyclicity of the sector, which would led the majority of companies to both lose revenues and regain them at the same time. Conversely, inside the "Manufacturing" sector, one out three companies (32.08%) had not recovered yet from the last crisis, a percentage that decreases to the 28.07% for the companies belonging to the "Services" macro-sector. As foreseeable, companies related with the provision of services where on average faster to recover than the ones involved in the manufacturing of goods. As a matter of facts, the percentage of services firms which recovered in the first years is almost the 30% of the total and another 33% finished the recover in maximum three years. Conversely, the manufacturing firms whom recovered in the first year are only the 11% of the total, percentage that climbs to the 34.53% for the companies which closed the gap within the first three years maximum. The numbers of manufacturing companies that recovered in four or five years are similar, around the 10%.

Graph 4.21 *Steps taken to address the crisis*

Source: own elaboration

From the graph on how entrepreneurs and firms reacted to the adversities, the low level of preparedness to crisis of small enterprises and their reactive attitude appear evident.

In fact, the three most common responses were "recurring to existing financial reserves or increasing the debts" (44,7%), "laying off workers" (30.3%) and "developing a new plan to respond to the adversity" (35.6%). Only the eight percent of the firms "implemented a pre-written plan" (8.3%), one out ten (10.6%) reacted by "bringing in new employees" and the 15.2% by "investing in new technological systems". Only one company out of five (19.7%) recurred to "an external source of advice".

4.4 The analysis

Having described and understood the sample characteristics in terms of personal traits of the entrepreneurs, features of the firms and crisis circumstances and responses, it is now possible to deepen the level of analysis and so to focus on the variables of interest accordingly to both the literature review and the purpose of the research.

4.4.1 Variables

Dependent variable

As the most significative measure of resilience for a company is its ability to quickly bounce back to the state previous to the crisis (Henry and Ramirez-Marquez, 2010), the dependent variable chosen is the *Velocity to Recover*.

Velocity to Recover is not a measure directly provided by the JP Morgan questionnaire, but rather it is calculated as the ratio between the percentage of revenues lost due to the crisis and the time needed (in years) to fully recover from such lost. To explain, a company which completed the recover of an initial loss of the 30% of the revenues in 2 years will have a "*velocity to recover"* of 15 points per year. This ratio, differently from the mere "time to recover", allows to properly compare firms which suffer initial dissimilar losses, caused by different events of different magnitudes.

The variable exhibits an average of 11.57 points and a SD of 10.97 points

Independent variable

In order to analyse the effect of the attitude towards Corporate Social Responsibility on the resilience displayed by the firm, the former (*CSR*) was measured by the answers given, by entrepreneurs, to the question: "how important it is for your company, in the next three years, to increase its social and environmental sustainability?". The responses were categorized in five ordered classes ranging from "it is not important at all" (1) to "it is very important" (5) but also including "not very important" (2) "neither important or unimportant" (3) and "somewhat important" (4). As from the question, the propensity is measured in a 3 years period, therefore providing a medium-term measure of the construct. Similarly, no statistically significant differences are found between the group which experienced a crisis and the one which did not, confirming the consistency of the variable. The mean is 3.69 (S.D. 1.22)

Mediator

Accordingly to Awotoye & Singh (2017) a strong link exists between the resilience of the entrepreneur and the success and the survival of his/her firm. Ayala-Calvo & Manzano-García in 2010 reached the same conclusion investigating a sample of Spanish entrepreneurs. On the other hand, sustainable practices are proven to be associated with higher individual resilience (Dutton, Cameron 2003). Therefore, a measure of *Individual resilience*, obtained though the Connor-Davidson scale, was added to the model. The resilience is measured with 10 questions regarding the stress management abilities of the respondents, their self-efficacy, their determination and ability to adapt to changes. The evaluation scale goes from 1 = "not true at all" to 5 = "true the most of the times". As above, the answers submitted by the respondents were 10 and therefore it has been necessary to group them in one single item by factor analysing the results. The Cronbach's alpha for the factor obtained is 0.8055, really good accordingly to the literature and therefore was deemed an acceptable measure (Tavakol and Dennick, 2011).

The mean of the variable is 30.79 (SD = 5.85).

Moderator

The network of the entrepreneur can deliver many benefits in terms of Organizational Resilience (Ager et al., 2015; Andrew et al., 2016; Seville et al., 2008; Kachali et al., 2014; Lapao et al., 2015; McManus et al., 2008). What is more, a number of them, such as "the access to best practices" or to "networking opportunities", can be declined in a sustainable dimension (Lee and Wang, 2017). This means that the network of the entrepreneur and his/her social capital can boost the resilience of sustainable firms and therefore acts as *moderator* in the relation *CSR-Organizational Resilience*.

The specific variable that has been added to the model is *Network*. *Network* measures the belonging or not to an association of entrepreneurs (i.e. Confartigianato) by mean of a dummy variable ("Yes"=1, "No" =0). The choice of the variable to represent the network is explained by the characteristics of the former. Not only a network of entrepreneurs facilitate the access to information, best practices, knowledge and risk spotting capabilities (Kachali et al., 2014), but also it offers the opportunities to connect with other members (entrepreneurs, professionals) thus amplifying its (predicted) effect as moderator.

The variable has been standardized (Mean=0, SD=1)

Control variables

The control variables used in the model refer to three different macro-areas: “firm’s characteristics”, “entrepreneur’s qualities” and “circumstances that originated the crisis”. Inside the first category, the most populous, we find the *number of employees, family business* and the (macro) *sector of belonging*.

Number of employees was chosen to be the indicator of the firm size and resourcefulness. Herbane (2010) suggested that bigger firms, with bigger amounts of resources, can better withstand stresses and faster recover from them. On the opposite, the findings of Sullivan-Taylor and Branicki (2011) revealed that “agility” and “rapidity” favour small companies in times of adversity. The variable spaces from 3 (min) to 48 (max) with a mean of 10.81 (SD = 8.31).

As family businesses have characteristic that strongly impact their performances and thus differentiate the category from the rest, the variable *Family business* has been added to the model. Amann and Jaussaud (2012), Allouche et al (2008), Lee (2006) proved that family businesses achieved stronger performances if compared to non-family firms. On the opposite, Zellweger (2017) proposed that the category, for a number of reasons, would display some specific weakness which would hamper their resilience. In the model, family businesses were coded as “1” while not family businesses as “0”.

Mean = 0,80, SD = 0.40.

In order to control for the environment in which the firm operates, the macro-sector of belonging was added. Three are the sectors identified: *Construction, Services* and *Manufacturing*. Two of them (*Construction* and *Services*) were represented though a dummy variable (“0”,”1”).

Construction: Mean = 0.15, SD = 0.36

Services: Mean = 0.44, SD = 0.50

Moving to the characteristics of the entrepreneur which, given the size, are supposed to strongly influence the behaviour of the firm, *Gender* and *Age of the entrepreneur* were included.

With regard to the *Age of entrepreneur*, Waelchli and Zeller (2013) found a robust negative relationship between it and the performance of the firm, possibly explained by deteriorated cognitive abilities and decreased motivation of older business leaders. Conversely, Stuart and Abetti (1990) and Spisak et al (2014) found no evidence of effect of the age of the entrepreneur on the performances of the firms. To control for the possible effect of the age of the entrepreneur on the resilience of the company, the variable *Age of entrepreneur* was added to the model. The variable is ordinal, with higher values representing older business leaders. To entrepreneurs younger than 25 was assigned a value of "1", to the ones with an age between 25 and 34 a value of "2", to the ones with an age between 35 and 44 a value of "3" and so on until to the ones older than 75 years was a assigned a value of "7".

The mean is 2.71, SD = 1.1.

As for gender, the findings of the literature are not consistent with each others. For example Robb and Watson (2012) found no significant difference on the performances of firms based on the gender of leader while, in contrast, Fairlie and Robb (2009) found that "female businesses" have a probability to close 13% higher when compared to the one of their "male" counterparts. In the research the variable *Gender of entrepreneur* was added as a dummy taking the value of "1" if the single entrepreneur or the majority of the management team was female and "0" in the other case.

Mean = 0.42, SD= 0.49.

Finally, the crisis were divided into three categories based on the circumstances that originated them: "internal crisis", "crisis originated in the transactional environment" and "crisis started in the general environment". The last two of them were added to the model as control variables: when the crisis started in the transactional environment, the variable *Transactional Environment* takes on the value "1" ("0" otherwise), when the crisis started in the general environment, the variable *General Environment* takes the value "1" ("0" otherwise.). When both variables assume the value "0", the crisis was originated from "circumstances internal to the company".

Transactional Environment: Mean = 0.46, SD = 0.50,

General Environment: Mean = 0.36 SD = 0.48.

4.4.2 VIF table and Correlation matrix

VIF analysis

In order to check for possible multicollinearity problems, the variance inflation factor (VIF) analysis has been run.

VIF is the quotient of the variance in a model with multiple terms divided by the variance of a model with one term alone (James et al, 2017). It measures how much the variance of an estimated coefficient is being inflated by collinearity. Values of 1 indicate that variables are uncorrelated, while a VIF ≥ 5 indicates high correlation and potential problems (Hair et al, 2011).

There are no problems of multicollinearity since all the values are even below 2.5.

Table 4.1 *VIF coefficients table*

Variable	*VIF*	Variable	*VIF*
CSR	1.08	*Number of workers*	1.16
Individual Resilience	1.18	*Construction*	1.29
Network	1.16	*Services*	1.34
Gender	1.21	*Transactional Environment*	2.24
Age Individual	1.17	*General Environment*	2.27
Family Business	1.08		

Source: own elaboration

After that, in order to assess the relationships between couple of variables, a correlation matrix has been used. In addition, being the variables categorical, a not-parametric methods is applied.

While the Pearson's correlation assesses linear relationships between variables, Spearman's correlation assesses their monotonic relationships (whether linear or not). In others words, the Spearman correlation between two variables is equal to the Pearson correlation between the rank values of those two variables. When a variable is a perfect monotone function of another variable, the Spearman correlation assumes the values of “+1” or “-1”. In general, the higher the value, the more similar the ranks. Conversely, the lower the value, the less similar the ranks are (min = “-1”).

The significance levels are highlighted by a start for the 10% level (*), with two for the 5% (**) and with three for the 1% (***).

Table 4.2 *Correlation matrix*

Variables	Mean	SD	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(1) Velocity to Recover	11.5716	10.9794	1.000											
(2) CSR	3.6976	1.2222	0.189**	1.000										
(3) Individual Resilience	30.7907	5.8506	0.097	0.179**	1.000									
(4) Network	0.2325	.4594	-0.042	-0.033	-0.078	1.000								
(5) Gender	0.4264	.4965	-0.187**	-0.050	0.141	0.217**	1.000							
(6) Age of the Entrepreneur	2.7165	1.1540	-0.049	-0.036	0.164*	0.113	0.176**	1.000						
(7) Number of Employees	10.8140	8.8783	-0.019	0.019	0.175**	-0.066	-0.094	0.095	1.000					
(8) Family Business	0.7985	.4047	-0.169*	0.009	0.019	0.166*	0.135	0.031	-0.159*	1.000				
(9) Construction	.1473	.3558	0.013	0.005	-0.146	0.039	0.041	-0.171*	-0.075	-0.015	1.000			
(10) Services	.4375	.4980	0.030	-0.032	0.121	0.186**	0.162*	0.028	-0.142	-0.032	-0.370***	1.000		
(11) Transactional Environment	.4574	.5000	-0.073	-0.022	-0.134	-0.110	0.009	-0.092	0.034	-0.066	0.044	0.009	1.000	
(12) General Environment	.3566	.4809	0.115	-0.081	0.052	0.044	-0.109	0.132	0.055	-0.006	-0.000	-0.041	-0.728***	1.000

Spearman rho = -0.728
Source: own elaboration

CSR and *Velocity to recover* are positively related at the 5% significance level (r = 0.189), confirming the framework of the thesis and the findings of the literature review. Also, *Individual resilience* and *CSR* appear to be positively correlated at a 5% significance level (r = 0.179). *Gender* is negatively correlated (r = -0.187) at the 5% level with *Velocity to recover,* thus suggesting that female entrepreneurs may face bigger obstacles than their male counterparts (Fairlie and Robb, 2009). However, female entrepreneurs have a bigger probability to be part of a *Network* (r = 0.217, p-value < 0.10). The *Age of entrepreneur* is positively correlated at a 10% significance level with *Individual resilience* (r = 0.164) and with *Gender (*r = 0.176*).* The first relation confirms the findings of the scholars on “*developable”* resilience

(Sutcliffe and Vogus, 2007), while the second tells that the older the entrepreneur in analysis, the higher the probability she is a female, and vice versa.

To the size of the company, measured by the *Number of employees,* is correlated, at a 10% significance level, the *Individual resilience* of the owner (r = 0.175). If the size of the company is used a proxy of the success of the entrepreneur in developing its firm, so the higher the resilience of the entrepreneur, the higher is his success in business (Ayala and Manzano, 2010). As the majority of the firms are part of the *Family business* category, they are, on average, lower in *Velocity to recover* (r = -0.169) but also smaller in size (r = -0.159), both correlations significant at 10% level. On the other hand, *Family business* and *Network* are positive correlated (r = 0.166, p-value < 0.10), thus suggesting that companies managed by the family are more likely to be members of a network of entrepreneurs.

When taking into consideration the sectors, we observe that the owners of the firms operating in *Construction* are, on average, younger (r = -0.171), whilst the ones operating in *Services* have an higher probability to be women (r = 0.162) (both p-values significant at a 10% level). Moreover, organizations operating in the *Services* sector are more likely to be members of a *Network* of entrepreneurs (r = 0.186, p-value < 0.05). As expected, *Services* and *Construction* are negatively correlated at a 1% significance level (r = -0.370). Note that the coefficient is not "-1" because there is a third macro-sector, *Manufacturing*, to which firms can belong, but that is not explicitly included in the model.

Lastly, it is interesting to note how the two indicators reporting the type of crisis (*Transactional Environment* and *General Environment*) are not related with any of the other variables in the matrix. On the opposite, as foreseeable, they display a negative correlation between them (r = -0.728, p-value < 0.01).

4.5 Hypotheses

<u>Hypothesis 1</u>. *The commitment towards CSR will be positively associated with Organizational Resilience*

We expect a positive relation between the level of importance given by the entrepreneur to the social and environmental sustainability of her/his firm and the resilience of the latter, measured as the number of points of revenues recovered per year. In fact, both positive psychology scholars (Masten et al., 1999; Seligman and Csikszentmihalyi, 2014) and researchers belonging to the traditional school of though (Du, Bhattacharya and Sen, 2010; Jamali and Mirshak, 2007) agree that the involvement in sustainable activities foster organizational resilience, allowing lower initial losses but also faster recoveries.

The second set of hypothesis regards *how* the CSR affects Organizational Resilience. For this reason one mediator and one moderator, namely *Individual resilience* and *Network* are deployed. The two variables refer to two alternative paths. Indeed, the moderator will be tested on the main relation *CSR-Velocity to recover* while the mediator, inherently representing an alternative explanation, will test the presence of a specific path between the independent and the dependent variable. In other words, we either expect the relation to be explained by dynamics internal to the company and so by the mediation of the *Individual resilience* or that the relation will be explained by external dynamics (i.e. reputation) and therefore that the *Network* will positively moderate the relation.

<u>Hypothesis 2</u> *Individual resilience will mediate the effect of the commitment towards CSR on Organizational Resilience*

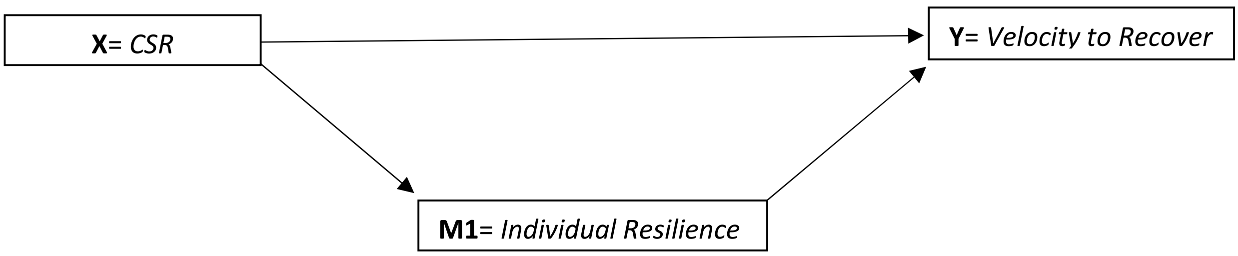
In order to elucidate the path through which CSR influences Organizational Resilience, a second hypothesis has been set. Given how the main output of the studies on the field of Positive Psychology is that the resilience of the organization heavily depends on the ones of their members (Cameron and Dutton, 2003) and that, on the opposite, the traditional school of though employs concepts such as "resources access", "risk spotting capabilities" and "social capital" to explain an increased organizational resilience, we test if the mechanism is *internal* (through *Individual resilience*) or not.

To briefly recap, positive psychologists expect "virtuous organizations" to foster the resilience of their members through three main mechanisms. First of all, compassion, integrity, optimism and other virtues typically associated with CSR directly and positively affect individual resilience (McCullough, 2000). Secondly, caring for the other, and thus for the environment, is proven to generate positive emotions such as empathy, verve, zest, enthusiasm, satisfaction and joy. Those positive emotions, in turn, guarantee an higher level of resilience both to the actors actively experiencing them and to the individuals surrounding such actors (Fineman, 1996; Cameron, Dutton and Quinn, 2003). Finally, if improving the welfare of the community and the health of the planet is embedded in the mission of the company, then the members of such (virtuous) organizations are expected to be more motivated in their daily (or strategic) challenges as they will experience a stronger sense of purpose (Gittel, 2000). To all this it must be added how virtuous actions have a positive amplifying effect (positive spiral) inside the organization. In other words, one single virtuous act (i.e. CSR practice) expands its beneficial effects to all the members of the organization because it stimulates a mirroring effect on other individuals (Kallgren, Reno and Cialdini, 2000).

Clearly, all the mechanisms described above both apply to the employees and the entrepreneurs. However, it can be supposed that the agents more influential on the organization performances are the latter. For this reason, we expect the level of commitment towards *CSR* to influence the *Individual resilience* of the entrepreneur and that, in turn, the *Individual resilience* of the entrepreneur will enhance the *Organizational Resilience* of the company (Avery and Bergsteiner, 2011; Awotoye and Singh, 2017; Ayala and Manzano-García, 2010).

In other words, we expect *Individual resilience* of the entrepreneur to mediate the effect of *CSR* on *Organizational Resilience*.

Figure 4.2 *The mediated relation*



Source: own elaboration

<u>Hypothesis 3</u> *Network will moderate the effect of the commitment towards CSR on Organizational Resilience*

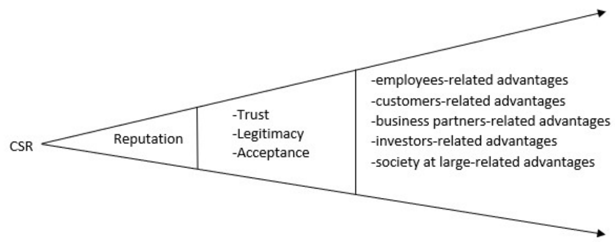
As from the theory, the network of the firm and of the entrepreneur himself have a significative impact on the performances of the company, both is smooth and turbulent times. What we want to test is if the *Network* can boost the positive effects of *CSR* on *Organizational Resilience*, as suggested by the scholars belonging to the “traditional school of though”.

As to start, the reputational benefits of CSR are clearly related with the size of the network. To better explain and pushing it to the extreme, if, *ad absurdum*, the company does not have any contact with the external word (customers, suppliers, community) then it cannot exploit any of the benefits of an enhanced reputation. On the opposite, a large network would provide a number of opportunities and of tools to effectively communicate the commitment towards sustainability of the company and thus to enhance the positive effects of *CSR* on reputation (Zahller and Roberts., 2015).

The other advantages related with a bigger *Network* can be categorize in four dimensions:

- stakeholders could directly suggest which form of CSR would benefits them the most (Morsing and Schultz, 2006), but they can also provide information on best practices. In both cases the effectiveness of investing in CSR practices is expected to increase;
- a wider network can provide access to more resources and information (material or not) which would allow more efficient investments in CSR (Lv et al., 2019);
- the bigger the network, the higher the number of potential threats which are monitored (i.e. changes in regulations or in customer priorities). Thus, given the role of CSR as risk mitigation activity (Berman et al., 1999), its effectiveness will increase with the number of threats which the company is aware of;
- the network itself could influence the policy-making process. Consequently, as "change in regulations" is very often quoted as form of threats (the most quoted in the JP Morgan Chase's study), a source of risks is better managed and monitored (Patrizia, 2012).

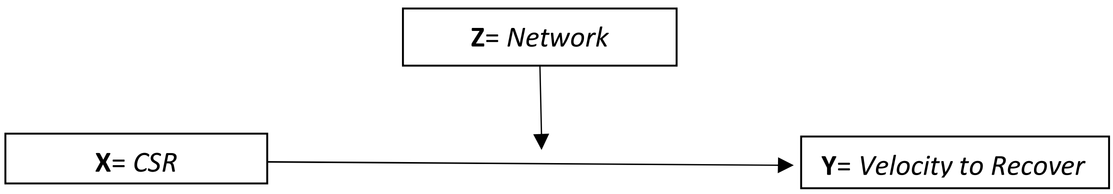
Figure 4.3 *CSR in the traditional perspective*



Source: own elaboration

In sum, we expect that the *Network* of the entrepreneur will positively moderate the relation between the *CSR* and *Organizational Resilience*.

Figure 4.4 *The moderated relation*

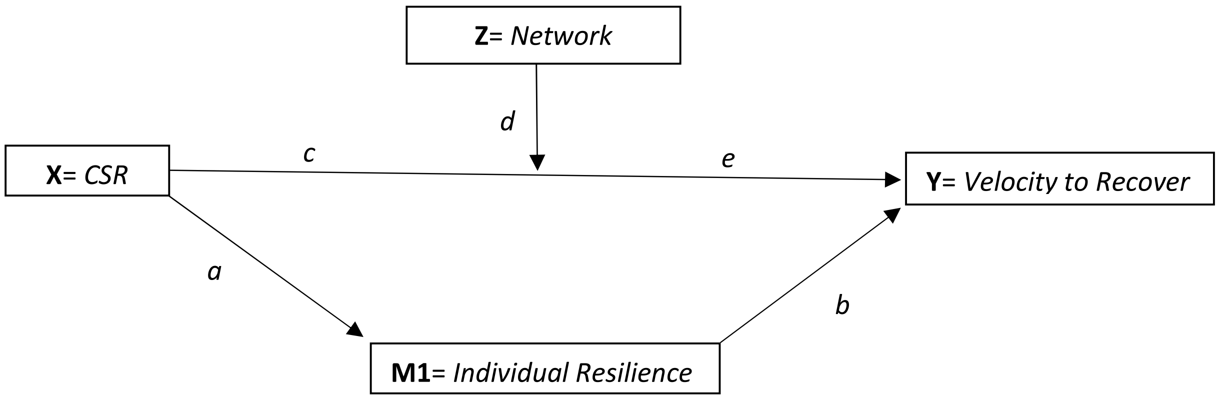


Source: own elaboration

4.6 The model

The complete model, a mediated and moderated one, is reported here:

Figure 4.5 *The integrated model*



Source: own elaboration

$\mathbf{M1} = i_{m1} + a\mathbf{X}$

$\mathbf{Y} = i_y + b\mathbf{M1} + c\mathbf{X} + d\mathbf{Z} + e\mathbf{XZ}$

In order to consider **M1** as a mediator "*a*" and "*b*" should be concurrently statistically significant.

In order to consider **Z** as a moderator "*e*" should be statistically significant.

4.7 The method

Hypothesis 1 and Hypothesis 3 are tested through a classic multiple linear regression with robust standard error. Robust standard errors technique allows to obtain unbiased standard errors of OLS coefficients under heteroscedasticity.

With regards to Hypothesis 2 the method used is the *sureg* function of STATA. *Sureg* is used to analyse Seemingly Unrelated Regression Equations (SURE). SURE is class of models, proposed by Arnold Zellner in1962, which consists of a generalization of a linear regression model. In other words, the model is composed by several regression equations, each having its own dependent variable and potentially different sets of exogenous explanatory variables. Taken on its own, each equation is a valid linear regression and for this reason could be estimated separately using standard ordinary least squares (OLS). However, estimates are not generally as efficient as the SUR method. The exceptions regards the cases when the errors are completely uncorrelated between the equations and when each equation contains exactly the same set of regressors on the right-hand-side.

Afterwards, in order to test the statistical significance of the SEM results we adopted a nonparametric procedure called "bootstrapping". Indeed, the parametric significance tests, as used in regression analyses has some fairly strong normality assumptions that may not hold for products of coefficients which are usually positively skewed and kurtotic. Conversely, the bootstrapping method is able to overcome these limitations (Davison and Hinkley, 1997).

Bootstrapping randomly draws subsamples from the original set of data, with mean replacement, and these subsamples are used to estimate the model (Sarstedt, et al, 2017). The process is repeated in order to create a large number of subsamples (5000). The estimations from the bootstrap subsamples are used to derive standard errors for the SEM results.

Finally, although it is possible to use the bootstrap standard errors to see if the indirect effects are significant, bias-corrected or percentile confidence intervals are suggested and therefore adopted.

4.8 Results

Hypothesis 1: *The commitment towards CSR will be positively associated with Organizational Resilience*

Table 4.5 *Linear regression*

R-squared	0.100	Number of observations	122
F-test	1.367	Prob > F	0.212

Velocity to recover	Coef.	St. Err.	t-value	p-value	[95% Conf	Interval]
CSR	1.929**	.822	2.35	0.021	0.301	3.557
Age entrepreneur	-0.348	1.143	-0.30	0.761	-2.614	1.917
Gender entrepreneur	-1.338	2.739	-0.49	0.626	-6.766	4.090
Family business	-3.769	3.054	-1.23	0.220	-9.821	2.282
Number of employees	-0.127	.086	-1.47	0.145	-0.298	0.044
Construction	-0.334	2.21	-0.15	0.880	-4.712	4.045
Services	2.625	2.195	1.20	0.234	-1.725	6.974
Transactional environment	-1.249	3.744	-0.33	0.739	-8.668	6.169
General environment	-1.412	3.539	-0.40	0.691	-8.424	5.600
Constant	10.21*	5.913	1.73	0.087	-1.507	21.926

**** p<.01, ** p<.05, * p<.1*

Source: own elaboration

Hypothesis 1 is confirmed. The coefficient associated with *CSR* is positive and significant at a 5% level (p-value = 0.021). To one point rise in the independent variable (*CSR*), the *Velocity to recover* of the firm increases by 1.93 points. In other words, to every point increase in the importance given by the entrepreneur to the sustainability of its firm, almost two additional points of revenues are recovered every year. All the control variables are not significant and thus do not impact the dependent variable. The portion of the variance of *Velocity to recover* explained by the model (R-squared) is the 10 %.

Hypothesis 2: *Individual resilience will mediate the effect of CSR on Organizational Resilience*

Table 4.6 *Seemingly Unrelated Regressions results*

Equation	Obs	Parms	RMSE	"R-sq"	chi2	P
Individual resilience	122	9	5.489182	0.1370	19.37	0.0222
Velocity to recover	122	10	10.33481	0.1003	13.60	0.1922

Individual resilience	Coef.	Std. Err.	z	P>z	[95%Conf.	Interval]
CSR	1.010**	0.429	2.35	0.019	0.169	1.851
Age entrepreneur	0.527	0.457	1.15	0.249	-0.369	1.422
Gender entrepreneur	1.795*	1.087	1.65	0.099	-0.335	3.925
Family business	-0.301	1.287	-0.23	0.815	-2.824	2.221
Nr. of employees	0.090	0.059	1.54	0.124	-0.025	0.205
Construction	-2.175	1.536	-1.42	0.157	-5.186	0.836
Services	1.149	1.128	1.02	0.308	-1.062	3.359
Transactional env.	-0.943	1.481	-0.64	0.524	-3.846	1.960
General env.	-0.150	1.552	-0.10	0.923	-3.191	2.892
_cons	24.320****	2.944	8.26	0.000	18.550	30.090

Velocity to recover	Coef.	St. Err.	z	P>z	[95% Conf	Interval]
CSR	1.893**	0.826	2.29	0.022	0.274	3.512
Individual resilience	0.036	0.170	0.21	0.833	-0.298	0.370
Age entrepreneur	-0.461	0.866	-0.53	0.594	-2.158	1.235
Family business	-3.759	2.470	-1.55	0.121	-9.123	0.560
Gender	-1.569	2.064	-0.76	0.447	-5.613	2.476
Number of employees	-0.190	0.123	-1.55	0.122	-0.430	0.051
Construction	-0.094	2.906	-0.03	0.974	-5.789	5.602
Services	2.776	2.128	1.30	0.192	-1.395	6.946
Transactional Environment	-1.099	2.781	-0.40	0.693	-6.550	4.352
General Environment	-1.427	2.927	-0.49	0.626	-7.164	4.311
_cons	10.616	6.975	1.35	0.177	-3.055	24.287

**** p<.01, ** p<.05, * p<.1*

Source: own elaboration

Table 4.7 *Bootstrap results*

Number of obs = 122
Replications = 5000

Observed

Coef.	Bias	Std. Err.	[95%Conf.	Interval]
0.039	-0.009	0.159	-0.310	0.355 (P)
			-0.273	0.396 (BC)
			-0.274	0.395 (BCa)

(P) percentile confidence interval

(BC) bias-corrected confidence interval

(BCa) bias-corrected and accelerated confidence interval

Source: own elaboration

The findings of the analysis of the coefficients are supported by the bootstrapping procedure. Bias-corrected or percentile confidence intervals are used as their confidence intervals are nonsymmetric reflecting the skewness of the sampling distribution of the product of the coefficients. The indirect effect is to be considered not statistically significant at a 5% level as the confidence intervals contain the value “0”.

Hypothesis 2, is not confirmed.

CSR is a predictor of *Individual resilience* (ß = 1.010, p-value = 0.019) but *Individual resilience* is not a predictor of *Velocity to recover* (ß = 0.036, p-value = 0.833). The portion of the variance of *Individual Resilience* explained by the model (R-squared) is 13.7%, while the portion of variance of *Velocity to recover* explained by the model is 10.03%.

Control variables:

Gender entrepreneur assumes significance at the 10% level and has a positive effect on the *Individual Resilience* (ß = 1.795 p-value = 0.099).

Hypothesis 3: *Network will moderate the effect of CSR on Organizational Resilience*

Table 4.8 *The moderated model results*

R-squared	0.110	Number of observations	122
F-test	1.334	Prob > F	0.215

Velocity to recover	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]
CSR	1.895**	.795	2.38	0.019	.32	3.469
Network	3.088	2.336	1.32	0.189	-1.541	7.718
Network #CSR	-0.552	.725	-0.76	0.448	-1.988	.884
Age entrepreneur	-0.440	1.214	-0.36	0.717	-2.845	1.965
Gender	-1.499	2.744	-0.55	0.586	-6.937	3.939
Nr. of employees	-0.186*	.103	-1.81	0.073	-.389	.018
Family business	-4.295	3.049	-1.41	0.162	-10.336	1.747
Construction	-0.177	2.219	-0.08	0.936	-4.575	4.221
Services	2.819	2.246	1.26	0.212	-1.632	7.271
Transactional Env.	-1.135	3.797	-0.30	0.765	-8.66	6.389
General Env.	-1.429	3.474	-0.41	0.682	-8.313	5.455
Constant	11.55*	6.132	1.88	0.062	-.599	23.705

*** *p<.01, ** p<.05, * p<.1*

Source: own elaboration

Hypothesis 3 is not confirmed. The interaction *Network#CSR* has no statistically significant effect on the *Velocity to recover* of the firm (p-value = 0.448). The portion of the variance of *Velocity to recover* explained by the model (R-squared) is 11.0%.

Control variables

Number of employees assumes significance at the 10% level and has a negative effect on the *Velocity to recover* of the firm (ß = -0.186 p-value = 0.073).

4.9 Discussion

This final paragraphs of the dissertation aim at giving interpretations and insights on the results of my analysis, at comparing them with the existing literature and at finding possible explanations for the non-verified hypothesis. Finally, the limitations of the research and the room for improvements are exposed.

4.9.1 Theoretical implications

As a premise, a brief recap of the specifications of the sample analysed will be helpful for the interpretation of the results. The 122 firms object of the descriptive statistics and of the empirical analysis were drawn from a vast dataset resulting from a joint effort of JP Morgan Chase foundation and the Business Department of the University of Padua.

The original goal of the study was to define resilience among entrepreneurs defined "at disadvantage". Indeed, the sample was drawn from the "poor" or "medium-poor" areas of the metropolitan city of Milan. In addition to this, a particular emphasis was put on female and immigrants entrepreneurs as they are expected to face bigger obstacles in their professional life as businessmen and businesswomen. Therefore, the hereby presented study, although exploiting secondary information, has roots in a framework of data collection consistent with the goal of the research.

<u>The commitment towards CSR and Organizational Resilience</u>

The fist hypothesis tested confirmed the very foundations of the work of research. In fact, the primary goal of this thesis was to prove that a link between CSR and Organizational Resilience exists, and only subsequently to investigate the causes of that relation.

The hypothesis is confirmed at a 5% significance level (p-value = 0.021) with a positive coefficient (ß = 1.929). To explain, on average almost two additional points of revenues are recovered every year when the importance of the sustainability of the firm for the entrepreneur increases of one point in a 5-dimension Liker scale. The value is relatively big as the average firm of the survey recovered 11.57 points of revenues lost per year.

The two perspectives most commonly adopted by scholars are both confirmed by the results of the research. With regard to the traditional perspective, the findings are in line with a framework in which the increased resilient qualities of the firm are explained by its enhanced "*reputation*" and, a cascade, by higher “trust”, “legitimacy” and “acceptance” among five categories of stakeholder (employees, customers, shareholders, business partners and the society at large) (Du, Bhattacharya and Sen, 2010; Jamali and Mirshak, 2007; Lv et al., 2019). On the other hand, the scholars belonging to the Positive psychology school of though unanimously agree on the sequence linking *CSR* - *Virtuous Organization* - *Organizational Resilience*. In other words, they believe and proved both that *CSR* is a characteristic of “virtuous organizations” and that such companies are more resilient than the average (Cameron, Dutton and Quinn, 2003).

Therefore both perspectives find a preliminary confirmation in the results of the first part of the research.

The commitment towards CSR, Organizational Resilience and Individual Resilience

The scope of the second hypothesis was to clarify *how* the importance given to CSR activities would impact the resilience of the firm. In fact, the two schools of though, the traditional one and the Positive Psychology one, both foreseen a positive influence of CSR on the resilience of the firm, but discord on *why* they expect such influence to happen.

As above, in order to explain the relation CSR-Organizational Resilience, one stream relies almost exclusively on the concept of *reputation* and thus of external network (Lv et al., 2019) while the other (Positive Psychology) identifies the enhanced individual resilience of the organization members as the key to explain the higher performances in times of crisis of “sustainable” firms (Seligman and Csikszentmihalyi, 2014).

The finding are controversial. On one hand, the *Individual resilience* of the entrepreneur is positively affected by the commitment of his or her firm towards sustainable practices (ß = 1.010, p-value = 0.019). On the other, the relation between *Individual resilience* and *Velocity to recover* is not statistically significant (ß = 0.036, p-value = 0.833).

The interpretation of the coefficients of the mediation involves both the theory and the data exploited. As a matter of fact, the first relation (*CSR-Individual resilience*) is significant and its predicted effect is relatively considerable. Indeed, keeping all the other variables constant, two entrepreneurs laying on the opposite sides of the 5-point Likert scale measuring the commitment towards CSR, would display a (very high) difference of 5.25 points on a Connor-Davidson Resilience scale (Mean = 30.79 , SD = 5.85). The result is coherent with the findings of the positive psychologists which claim that *virtues* inside the organization would foster the resilience of their members, mainly through an enhanced “sense of purpose”.

On the opposite, the other relation, against the predictions of the majority of the scholars, is not significant. In other words, the resilience of the entrepreneur is not proven to affect the ability to recover of his or her firm. The interpretation of this second coefficient cannot be straightforward. It is possible that other features of the firm, not part of the analysis, would be influential on the dependent variable and thus would mislead the interpretation of the results. Another interpretation, more theoretically sound, would be that certain crisis are just out of the control of the entrepreneur ("failure of a big costumer", "new stricter regulation", "general decrease of a market") and that, in this case, his or her resilience is uninfluential (Ager et al., 2015; Mc Manus et al. 2008).

The commitment towards CSR, Organizational Resilience and Network

As the findings of the previous hypothesis testing suggest that the path through which *CSR* fosters *Organizational Resilience* is not the one proposed by the doctrine of "Positive Psychology", I tested one of the most recognized antecedents of organizational resilience in the traditional school of though: the *Network* (Kachali et al., 2014). However, I found no significant effect on the dependent variable (*Velocity to recover*) of either the variable taken alone or of its interaction *#NetworkCSR*. In other words, it appears that the membership of an industrial association does not provide any advantage, neither on its own or if interacted with another antecedent of organizational resilience, namely the attitude towards *CSR*.

This seems to be in contrast with the findings of the literature so far. In fact, the majority of the scholars (Kim et al., 2020; Ager et al., 2015; Andrew et al., 2016; Seville et al., 2008; Kachali et al., 2014; Lapao et al., 2015; McManus et al., 2008) suggest that a solid network is a valuable asset in responding to unanticipated adversities.

The analysis of the specific variable used to measure the *Network* can be useful in the interpretation of the results. In fact, the dummy *Network* measures the belonging (1) or not (0) to a business association, not the actual involvement in the proposed seminars, meeting and events in general. If those (at disadvantage) owners of small and micro enterprises are just registered to the entrepreneurs association but do not regularly take part in any of the initiatives proposed (i.e. counselling, seminars, networking opportunities) it is predictable that the benefits they draw from the membership would be limited. In addition, the possibility to get access to new links (a virtuous cycle of network creation), meeting other members of the association, will be null.

Control variables

The only control variable we find to be significant in explaining *Velocity to recover* is *Number of employees* (ß = -0.186, p-value = 0.073): bigger firms, employing more workers, will be slower to recover. As Gunasekaran et al (2011) proposed, smaller companies can leverage their adaptability, flexibility and small chains of power to better react to crisis. However it must be noted how the sample contains companies with maximum 48 employees, meaning that "smaller firms" are essentially micro-enterprises and not SMEs.

Secondly, *Gender* is statistically significant at a 10% level in the regression that measures *Individual resilience*, suggesting that women have higher personal resilience (ß = 1.795 p-value = 0.099). However the literature does not agree on the theme and thus does not provide a clear explanation on why biological factors should influence the personal resilience of the individuals (Bakas, 2015).

4.9.2 Managerial implications

The main scope of this research has been to gain insightful information on the Organizational Resilience of SMEs and, in particular, on its relationship with the commitment towards the CSR. The findings of the empirical analysis support the ones of the literature review, as both suggest that the higher the interest in sustainable practices the higher the ability of the firm to bounce back from adversities. This relation can have important managerial implications.

As many scholars found, in time of crisis many firms would disinvest from their CSR practices so to re-allocated resources to activities deemed more "essential" or to buffer themselves from the financial consequences of the crisis (Souto, 2009). Nevertheless, accordingly to what demonstrated in this research, this is not the best strategy and, on the opposite, can be counter-productive. The findings hereby presented suggest, therefore, to increase, or at least maintain, the commitment towards sustainable practices during difficult times as to experience a faster recovery. In other words, CSR is not to be intended as a cost like Friedman claimed (1970), but an investment which, provides a return in times of crisis. However, it was not possible to quantify any kind of index (i.e. ROI) beside the *velocity to recover*, because of the way data were collected.

In addition to this, the findings support the hypothesis that the commitment of the entrepreneurs towards the CSR of their companies is strongly linked to their personal resilience. Given the prominent role of entrepreneurs inside their firms, this side benefit can be crucial in the flourishing of SMEs. Nevertheless, although supported by the literature, the following logical step, namely the relation between individual and organizational resilience, is not verified.

Another feature tested, the affiliation to a business association, was demonstrated to not be sufficient alone to explain the potential benefits of an enlarged network. Even so, as the findings of past scholars on the subject are quite consistent (Kachali et al., 2014) it is possible that the way in which the network was measured would explain the discrepancy with the theory. Therefore the suggestion is to actively take part in the activities proposed by the association and to seize the opportunities of the business network so to both enlarge the personal net of relations meeting new professionals and to both exploit the several advantages related to the belonging to a network.

4.9.3 Limitations and future prospects

Although the main hypothesis of this study was verified, some limitations of the study should be addressed by future researches.

As to start, the sample, size due to lacking of data, was reduced to 122 firms. More numerous samples are suggested for future researches. Similarly, because of the data available, only firms that survived the crisis were part of the study, thus generating a possible source of distortion.

In addition to this, the measure of CSR applied in this study is subjective to the entrepreneur and measures his or her commitment towards the sustainability of the company rather that the actual implementation of CSR practices. Nevertheless, this can be regarded as a parallel, but non necessary better option. In fact, by the theory, the belief of the entrepreneur is a sufficient source of personal resilience (Cameron, Dutton and Quinn, 2003) and, at the same time, the projected image of the company's commitment to its sustainability (and not the actual implementation of CSR practices) would improve organizational reputation (Lv et al., 2017).

In addition, though the specific question was explicitly aimed at measuring at least the medium-term commitment towards CSR (*"How important it is, in the next three years, for your company to improve its social and environmental sustainability?"*), the attitude towards *CSR* should be measure before and after the crisis. The same suggestion would be true also for the *Individual resilience* which is measured as a cross-sectional variable. For both cases (*CSR and Individual resilience*) the limitations are, at least partially, overcome by the fact that the two-sample t-tests on equality of means between the two group of companies (the one which went through a crisis and the one who did not) did not a report significant difference.

On the same line, another suggestion regards the measure of resilience used, namely the *Velocity to recover*, which was calculated using two questions (*"*How many years did it take to your company to fully recover?" and " How much of the original revenues did the company lose because of the crisis?"). Future studies should use more accurate financial performances such variations in "ROE" or in "Revenues". However, roughly one out four of the entrepreneurs reported to have had the survivability of their firm put in jeopardy with losses smaller that the 10% of the revenues. Hence, financial indicators alone would not be sufficient to explain the dynamics of SMEs, but rather should be integrated with evidences provided by the entrepreneur's testimony.

Another future development in the field would be, when possible, to measure the individual resilience of the employees as they are both expected to be influenced by *CSR* practices implementation and to contribute significatively to the performances of SMEs (Stephens, Heaphy and Dutton, 2012). Similarly, given the findings, the *Network* of the entrepreneur should be measured via other indicators such as the number of sources of advice consulted or the degree of involvement in the activities proposed by the business associations (and not the mere belonging to it).

Finally, being the data retrieved from a questionnaire, some qualitative items could results biased due to a phenomenon called "managerial myopia". Indeed, it has been proved that managers might have an overly optimistic impressions of their business or that they feel the pressure in reporting as to look good in front of others (Larwood and Whittaker, 1977).

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