

## Chapter 3

# Managing Small Business Social Responsibility (SBSR) in Formalized Network Using a Euclidean Perspective

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### ABSTRACT

*This chapter deepens the knowledge of inter-firm collaborations to address sustainability issues between SMEs in adopting small business social responsibility (SBSR) approaches. The study investigates the role of formal network contracts (FNCs), where aspects of SBSR are formalized into legal agreements between the networkers. For this purpose, the authors identify three management implications declined as sub-variables: control, consensus, and consistency. Institutional theory and, specifically, isomorphism and normative theory of CSR are used as lenses through which to analyze the results. The methodology applied is a deductive qualitative content analysis, while results are shown using an Euclidean perspective. The study discovers the use of FNCs to clearly govern consistency and consensus, more than to control and audit sustainability herein the network. In addition, it demonstrates a relation between network size and use of the tool.*

### INTRODUCTION

The anthropocentric view of sustainable development considers the presence of the humans with their activities as an inseparable part and a menace of the future of our Planet (Griggs et al., 2013; Reid et al., 2010). Consequently, the sustainable development of our society cannot be reached without the sustainable development of corporations, as they are outputs of humans' activities (Wigginton, 2016). Despite the evident disparities between large corporations and small businesses in adopting socially and

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environmentally responsible management practices, both are called to take a firm commitment towards the society and the environment without exception (Tilley, 2000). However, small and medium-sized enterprises (SMEs), micro-businesses and individual entrepreneurs can respond to such commitment with their limited resources, struggling with external forces, precarity, uncertainty, complexity and ambiguity (i.e. post 2008 crisis). Nonetheless, small businesses have considerable social and environmental impacts if considered in their totality (Perrini, 2006). In recent years, the academic interest towards the so-called Small Business Social Responsibility (SBSR) increased and scholars have just begun to analyse a fragmented phenomenon. The variety of the acronym SMEs includes: medium-sized companies that account for 1% of all European companies; micro businesses (92.8%) and small businesses (6%) that cover 98.8% of the entire European economy (according to the European definition of SME, in Eurobarometer, 2016) (European Commission, 2016). For this study we address sustainability, CSR and stakeholder management as related concepts, according to the Euclidean demonstration of closeness given by the study of Fassin et al. (2015) regarding the European as well as the Italian context.

Unfortunately, scholars continue to stress the lack or inconsistency of the existent tools to address sustainability issues at company level (Horisch, Johnson, & Schaltegger, 2015; Johnson, 2013, 2015; Johnson & Schaltegger, 2016). The lack of knowledge, resources (time, financial and human) and practical suitability of the such tools are limiting the development of theories on SBSR. Mainstream CSR theories are often developed having in mind large companies (Spence, 2014; Vázquez-Carrasco & López-Pérez, 2012). A solution to overcoming traditional limits of SBSR may rely on business model changes (Lai, Lionzo, Stacchezzini, & Rossignoli, 2015). Emerging studies are combining effective ways to overcome SBSR barriers through the adoption of collaboration strategies and strategic network alliances (Freeman, Edwards, & Schroder, 2006; Håkansson & Snehota, 2006; Kirkels & Duysters, 2010; Lee, Kelley, Lee, & Lee, 2012; Swoboda, Meierer, Foscht, & Morschett, 2011). The paper specific aim is to deepen the relation between network alliances and sustainability.

## **BACKGROUND**

Despite the fact that the literature on inter-firm collaborations boasts many contributions, few studies directly address how and to what extent SMEs may use formal and informal collaboration to achieve social and environmental outcomes. Existing studies are mostly related to network performances, to interpersonal and organisational features and the distribution of power between network members (Keast, Brown, & Mandell, 2007; Keast, Mandell, Brown, & Woolcock, 2004; MacGregor, 2004; M. Mandell, Keast, & Chamberlain, 2016; M. P. Mandell & Keast, 2008; O'Donnell, 2004; Storey, 1994). The purpose of our study is to deepen the knowledge of inter-firm collaborations to address sustainability issues between SMEs. We locate our study in a national context of Italian SMEs that exploit the introduction of a juridical tool called Formalised Network Contract (FNC) to start-up network agreements (Baldo, 2011; Cantele, Vernizzi, & Ricciardi, 2016; Cardoni & Tiacchi, 2013). In general, FNCs are devoted to boosting entrepreneurial internationalization (Haddoud, Jones, & Newbery, 2017; Kenny & Fahy, 2011; Lee et al., 2012) or to exchanging knowledge, research and development on new product and services (de Jesus Pacheco et al., 2016; Kirkels & Duysters, 2010; Konsti-Laakso, Pihkala, & Kraus, 2012; Mazzola & Perrone, 2013; Mazzola, Perrone, & Kamuriwo, 2016; van de Vrande, de Jong, Vanhaverbeke, & de Rochemont, 2009). FNCs are formed through interconnected bilateral or multilateral contracts, and they differ from other traditional forms of collaborations (such temporal agreement, consortia, joint ventures,

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