

# Chapter 9

## Corporate Social Responsibility and the Local Community Effect: Insights From the Spanish Footwear Cluster

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### ABSTRACT

*The objective of the chapter is to take a multilevel perspective to better understand how CSR practices are developed inside a cluster. The authors aim to describe how CSR practices are developed comparing both firm's characteristics (e.g., innovative capacity, marketing innovation, international activities) and local interactions inside the cluster. In particular, they evaluate how internal dynamics of the cluster, defined by the networks of relationships that are developed with supporting organizations, along with leading firms in the cluster, shape a new institutional framework that locally legitimates CSR practices.*

### INTRODUCTION

The agglomeration of firms, providers, clients and supporting organization in specific locations has attracted the attention of scholars late in the 19th century. The concept of clusters of economic activity dates back to Marshall (1890, 1920), who was the first scholar to investigate the concentration of specialized activities in certain localities. He explained such cluster of firms in related activities by the existence

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of external economies: specialized labour, specialized related trades, and specialized firms in different stages of the production cycle. Since then, abundant research has evaluated these benefits in terms of higher economic performance for firms localized in those spaces (Díez-Vial, 2011; Hervás-Oliver and Albors-Garrigos, 2009; Kukalis, 2010; Molina-Morales and Martínez-Fernández, 2009).

In general, it has been broadly considered that much of the agglomeration benefits are a consequence of knowledge exchange and knowledge creation between collocated agents in the cluster (Owen-Smith and Powell, 2004). Physical proximity facilitates the transfer of knowledge through formal means, such as technology partnership, strategic alliances, or supply contracts with other firms or institutions in the same location (Belso-Martinez et al., 2018). Also, proximity fosters face-to-face contact and informal interactions, which has turned to be even more relevant than formal interactions in explaining firm performance (Belso-Martinez et al., 2015; Zaheer and Bell, 2005). Moreover, these clusters are considered local communities where shared standings, norms, and rules favour mutual understanding and learning (Inkpen and Tsang, 2005). Knowledge tends to be tacit and it requires certain cognitive proximity in order to communicate, understand and process knowledge successfully (Boschma, 2005). A firm's capacity to learn is conditioned by the specific investment and complementary assets it possesses, or has possessed in the past, its social context and culture, and the portfolio of activities, technologies and markets in which it has been involved. All of these conditions propel firms towards a specific learning path determined by the prior and historical knowledge of the firm and reflected in their specific routines and procedures (Teece et al., 1997; Zahra and George, 2002).

In recent research, the benefits of clusters for improving the economic performance of firms have been extended to explain social performance (Husted et al., 2016; van Wijk et al., 2019). In particular, Corporate Social Responsibility (CSR) has been tightly related to the internal dynamics of concentrated spaces (González-Masip et al., 2019). The central idea is that CSR is not an individual action that firms undertake, but it also depends on the local community that they are embedded on (Hoffman, 1999; Marquis et al., 2007). Local geographic environments, that is, communities, are especially important influences on corporate social action because they facilitate the diffusion of social and ecological practices throughout the cluster. In this sense, CSR practices are based on knowledge and learning abilities that need to be transmitted, combined and absorbed between firms; being it easier among co-located firms with similar values and norms. As well as other kinds of knowledge, CSR practices are sticky, in the sense that they need of proximity to be better transmitted and assimilated among firms (Husted et al., 2016). In particular, firms located in clusters tend to develop local interactions with their stakeholders that make communication and discussion of new practices easier as it is in proximity (Dorado, 2005). Along with the individual capacity of the firms to develop, assimilate and implement CSR practices, it is necessary to consider the interactions among diverse actors and their engagement in understanding each other's perspectives and interests and negotiating shared perspectives in "interactive spaces". It is at this meso level, where interactions between different actors, such as clients, providers, employees, frame new kind of CSR practices (van Wijk et al., 2019). In a complementary way, these local communities are embedded in an institutional context where firms can legitimize their corporate social action by either adapting to it or trying to change existing institutional framework and incorporate social and ecological practices (Lund-Thomsen and Nadvi, 2010). The establishment of local social standings, norms and rules that configure each institutional context vary from a community to another, so do what is accepted and valued in terms CSR practices by their firms (Marquis et al., 2007).

The objective of the chapter is to take this multilevel perspective -the community and the firm- to better understand how CSR practices are developed inside a cluster. We aim to describe how CSR

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