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FROM SOCIAL RESPONSIBILITY OF COMPANY TO RESPONSIBILITY FOR TERRITORY

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Corporate social responsibility and European documents

The notion of corporate social responsibility (CSR)[1] became the focus of interest only after long confinement within the inner circle of economic debate prompted by the European Commission's Green Paper of 18 July 2001 entitled *Promoting a European framework for corporate social responsibility* - a business contribution to sustainable development.[2] This was followed on 2 July 2002 by a Commission communication concerning corporate social responsibility, while on 3 December 2001 the Council of Europe passed a resolution on going beyond the CSR Green Paper, followed on 6 February 2003 by another resolution on CSR. The European Parliament is currently debating the issue again, and is expected shortly to take a position on the Commission's latest communication.

This is a subject that cuts across a range of issues, including corporate competitiveness, social dumping, and the delocalization and globalization of the market, and draws attention to the link - or rather, the bottom line - with the social benefit of economic initiatives.[3] Seen in the light of the national legal system,

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[1] Translator's note: the Croatian-language original of this paper gives "RSI" as the "English" acronym for corporate social responsibility. However, all the European documents referred to use "CSR," which is therefore adopted in this paper.

[2] There is a direct link between this and Delors' 1993 White Paper on *Economic growth, competition and employment* and with the appeal by the European Council in Lisbon in 2000 to companies'sense of social responsibility regarding best practices for lifelong learning, work organisation, equal opportunities, social inclusion and sustainable development. Back in 1999 the European Commission issued a Green Paper promoting a European framework for social responsibility, which addressed issues such as job quality, social investment, social and eco-labels, the integrated management of corporate social responsibility and other related matters.

[3] Article 41 of the [Italian - trans.] Constitution highlights the limits of freedom of private economic initiative, "which cannot be carried out so as to be contrary to public utility or so as to be detrimental to security, freedom and human dignity." It should be noted that it draws attention to the law establishing programmes and controls "which are appropriate to guide and coordinate public and private economic activity for social purposes." [Quoted from *Unfair Contract Terms in European Law: A Study in Comparative and EC Law*, Paolisa Nebbia, Hart Publishing, 2007, p. 77 fn. 36. Trans.]

there can be no doubt that Article 41 of the [Italian - trans.] Constitution[1] sets out the terms of reference of normative foundations, although these norms are but rarely referred to, remaining effectively trapped in the limbo of good programmatic intentions.

As the European documents indicate, CSR is intended primarily for the corporate world, particularly medium-sized enterprises. However, a closer scrutiny reveals that much energy has been dedicated to promoting CSR in smaller enterprises and to involving public corporations, large enterprises, non-profit organizations, cooperatives and associations. It entails some extremely interesting transitions, which do not however change the appearance of future choices: directing economic and manufacturing entities, be they social or public, to the instruments and trajectories of social responsibility, which thereby open up to all those who may regard themselves, or be regarded, as stakeholders.

The Green Paper notes that "most definitions of corporate social responsibility describe it as a concept whereby enterprises integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing 'more' into human capital, the environment and relations with stakeholders."

This is an appealing notion, which clarifies the voluntary nature of CSR,[2] but fails to alleviate the suspicion that it is too ambiguous. From the legal perspective, it needs above all to draw the line between fulfilling legal expectations and the process of going beyond compliance, to test the limits of its application, and to study its effective application.

Above all, we view it through different lenses: at the global level, the sources of international law require a minimal overall coverage and set the threshold at the level of fundamental human rights; at the European level, it entails accepting responsibilities that go beyond existing commitments. At first glance, there appears to be no contradiction, but the pragmatic recognition of the existence of pluralist rights has a different impact. Solutions cannot be identical, given the complexity deriving from the structural, economic and cultural divergence between the global, the European and the national levels.

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[1] Which reads, in full: "(i) Private economic initiative is free. (ii) Private economic initiative cannot be carried out so as to be contrary to public utilityor so as to be detrimental to security, freedom and human dignity. (iii) The law shall establish programmes and controls which are appropriate to guide and coordinate public and private economic activity for social purposes."

[2] The principal of the voluntary nature of CSR as the European Union understands it does not mean recognizing arbitrary decisions or reducing all decisions and value-judgments to the subjective level - indeed, the Union is very explicit in its opposition to such practices; it means rejecting the notion that there is a standard or comprehensive validation as opposed to the possibility of choosing between different ideal reference points.

It has become clear that even within systems of different scope, there are many points in common between international and European methods and instruments, notwithstanding the increasingly fluid boundaries between these two dimensions. Between European and national legislation, too, there is a convergence around the issue of the level of guaranteed rights, which must be minimal to median, and valid for all European countries, while the level of guaranteed rights within each country may not be altered, and must remain above European legislation.
As we shall see, whatever the circumstances, the effect remains the same, but the legal baseline alters. What is needed, therefore, is to define and analyze entities, to identify thresholds and, in consequence, the "delta" added value that takes into consideration the diverse contexts, legal nature, dimensions, sectors and territories being referred to.[1]
The different approaches that derive from this should cause no surprise.[2] We must get accustomed to living with injustice in a world of diversity while working together in the serious matter of combating discrimination, without resorting to shortcuts or fanciful schemes.[3]
The proposal we believe should follow leads us to the integration of the macro-economic and the macro-social vision and, as noted in one interesting European document, to an understanding of how CSR can become a form of implementation at the micro-economic level of a macro-economic concept of sustainable development.[4]

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[1] Though the fundamental principles are the same, it is the European Economic and Social Council (EESC) that specified, in its Opinion of 8 June 2005 on *Information and measurement instruments for CSR in a globalised economy*, that indicators must respect diversity while taking into consideration the socio-economic, legal and cultural circumstances and the type and size of the business or corporation in various parts of the world and in different sectors.

[2] The EESC Opinion of 8 June 2005 highlights as a problem the fact that since CSR entails going beyond legal requirements, the absence of uniformity between national laws could have damaging consequences. It gives the example of a business generating a moderate amount of pollution, which could receive a high rating in a country without laws governing greenhouse-gas emissions, while another generating the same levels of pollution but based in a country with strict laws on emissions could receive a low rating. The proposed solution does not seem satisfactory: bearing in mind social and environmental standards, it would seem fundamental to take as the starting point the idea that the current European body of norms sets a minimal standard only and that efforts should be made to implement it further.

[3] A recent Code of Ethics issued by Unindustria di Padova in December 2004 made it a requirement to respect human values, and banned the use of juvenile labour and all discrimination against workers and suppliers on the basis of language, race, sex or religion and belief. The document states that the companies concerned are already inspired by these values and seek merely to convey them to civil society..

[4] The reference, once again, is to the EESC Opinion of 8 June 2005

To do this effectively, however, we need to choose a path on which the axis of the principal entity is transposed as it attempts to move within a spectrum privileging the local community and developing its potential within the terms of integrated competitivity: economic, social and environmental.

Towards territorial social responsibility: the example of the Veneto Region

One of the most interesting lines of development in this regard concerns the transition from corporate social responsibility (CSR) to territorial social responsibility (TSR), which is of particular interest for at least two reasons: it comes close to the idea of the network, which has developmental connotations in different areas, and it focuses directly on achieving a goal that is regarded as strategic: competitive responsibility for territory.

This means understanding the way in which a shift of perspective may be achieved, from the individual to the pluralist or collective, in such a way that the actions of individual factors can be coordinated and interwoven.

It is no accident that the most forward-looking ideas are coming from a region like the Veneto, which has a strong social sense and is also marked by the presence of small enterprises and a system of regional subdivisions, with very few large corporations.

Two studies have recently been conducted at the University of Verona by the Governance and Social Responsibility in Companies Research Centre (Ce.R.S.I.) in association with the Avanzi Centre of Milan, both funded by banks keen to study the subject in depth.[1] Though different in content and field of research, they have one feature in common - they attest to the potential of territorial concerns in the future.

The starting-point is a re-reading of CSR as a factor of competitive advantage associated with long-term sustainable development. Territories such as the Veneto region are seeking alternative solutions capable of addressing the inevitable elements of crisis which - as is now clear here and elsewhere - cannot be overcome in an area where production costs are held down, but must be effected by highlighting distinctive factors through identifying new opportunities and enhancing quality.

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[1] The first dealt with *Corporate social responsibility and networked systems. Territory as the place of greater application of Corporate Social Responsibility*; the second with *Corporate social responsibility and the competitivity of local economic systems. Contribution by banks to cooperative credit in altering the development model of the regions of Veneto and Friuli Venezi Giulia*. The first was funded by the local council of Verona by UniCredit Group, and the second by Banca Agrileasing and several cooperative loan banks from the Veneto and Friuli regions.

Corporate social responsibility, and in particular its relationship with the social context, is capable of stimulating the Veneto region by recognizing in its social capital the driving force of development and the creation of added value. This prompts us to turn to a dimension that is almost the converse of CSR, in which the focus is no longer on the individual enterprise negotiating as a separate entity with its stakeholders, including the local community, but rather on the local community itself, entering into various relations with those representing its interests, including economic factors. "In other words, if it is true that corporate social responsibility consists of taking upon oneself the legitimate expectations of stakeholders and seeking to make them the principal objective of the enterprise, one must speculate whether it is possible to speak of a division of responsibility between the corporate system and the territorial, i.e. the local community."[1]

We may follow at least two models which are clearly gaining ground: in the first, we are seeing a transition of business groups and associations from the individual to the plural level, while in the second, there is a veritable exchange of entities from which springs a network of relations and relationships from individual firms to the local community.

In the first model, the shift is from the enterprise maintaining relations with its stakeholders to a system of enterprises entering into relationships with their own local community.

In the second model, the enterprise is no longer the focus of the strategy but merely one of the stakeholders. Instead of the relationship between the individual entity and its interlocutors, a relationship of circular reciprocity is created in which each entity becomes alternately "inside" and "outside."

In the research conducted by BCC, preference was given to the first model, and efforts were made to verify "whether it is possible to imagine that the corporate system, or systems, can and will identify, recognize and take on their own collective responsibility in regard to the local community in which they are based; extract definitions by recognizing this responsibility for shared social goals; calculate their own impact; and whether activating this process will give rise to a powerful circular process that reinforces the system itself."

Generally and specifically, given the nature of enterprise in the Veneto, it would seem helpful to pursue the model in which, rather than each enterprise acting on its own accord in regard to CSR, they become parts of a network, facing and resolving problems of a structural nature hand-in-hand with other enterprises in order to create a system and involve small and medium-sized enterprises with a commitment to social responsibility.

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[1] BCC research, p. 10. Translator's note: original source not provided, and I have been unable to track it down on the internet; this and the following quotations quotation have thus been re-translated from the Croatian.

The final section of this research reveals that "just as it is important for individual enterprises to maintain constructive relations with their stakeholders, so too is it important for the local economic system in regard to the society in which it operates." "A socially responsible local economic system is able to activate a relationship of dialogue and mutual exchange which, repeated over time, creates a climate of general consensus and facilitates transactions. This may be transformed into competitive advantage even for individual enterprises that are part of the system." Clearly, these are neither simple nor linear processes. "The first problem is that we are not dealing with relationships between entities, but between groups of non-homogeneous, unorganized entities." These are, in fact, "local economic systems," which are not legal entities, and which cannot be identified. Another problem that "arises when interests are highly divergent is that the incentive for each individual entity to change is weak, even when the risk is high, since the cause and effect link between direct action and the results it may bring is not recognized" (p. 50). If these may be regarded as the elements of resistance to the corporate system's taking collective social responsibility for the local community, it is important to observe that there are signs of change and early innovative experiments, which should be encouraged and stepped up.

The primary objective of the other research, initiated by UniCredit, was to study CSR in networked enterprises, with special emphasis on enterprises providing public services or serving the general public, such as those providing communications or transport services, energy and water suppliers, health care companies and service companies. There were several very different reasons for the selection of these very enterprises: mainly their modern networking approach, their unavoidable association with the territory, and their very close relationship with their customers or consumers, and in addition, because of their specific relationship with the local community even in the legal sense. "The relationship with the public was very rich and complex, because the enterprises were simultaneously stakeholders in various interests: those of their beneficiaries, but also of their owners or the commissioning authorities (indirectly, through the state administration), and of their own interests as part of the wider social community" (p. 22).

The CSR proposal set out in this study includes an interpretative model on the basis of which the transition is made from the enterprise mapping the network of its own relations with its various stakeholders to increasing the number of networks using the local community as the basis of overall relationships, leading finally to a simplification, and to a reversal of the set of terms of reference forming its starting point, so that the local community is at the centre of everything. In other words, instead of mapping ways for individual enterprises to take social responsibility on a voluntary basis, the aim is for the

territory and the local community to be capable of dialogue with their stakeholders, including the corporate system.
The study emphasizes that the model of networked enterprises does not mean, for the community, "an instrument for interpreting reality; rather, it is a project, work in progress. In other words, a network does not exist or is not created in itself, or rather, it is not said to exist or that when it does exist it will operate in the best possible way. This is why the network needs to be built and maintained."

Some questions needing to be resolved

Both these models fit into the prospect of a greater number of stakeholders, and thus in essence modify certain differentiating features. As is well-known, the CSR system is already a transition from the model of a single stakeholder focusing on meeting its shareholders' expectations to "a model of extended corporate governance whereby who runs a firm (entrepreneurs, directors, managers) have responsibilities that range from the fulfilment of their fiduciary duties towards the owners to the fulfilment of analogous fiduciary duties towards all the firm's stakeholders" (Sacconi, 2005). Territorial social responsibility also alters the nature or even the basic entity of pluralist relations from the individual enterprise to the corporate system and the local community. The multi-stakeholder model is enriched and developed to become the permanent and indispensable foundation of territorial integrity.
Change calls for great attention and innovativeness in raising awareness of just how stimulative the proposed ideas are. The proposal to set up territorial networks based on know-how, capacities, and the principles of ethics and morality dates back a full century, to Weber. Recent sociological studies, too, propose social competitiveness as a cooperative game based on technology, talents and tolerance (Florida, 2006).
In such a broad framework, it is vital to avoid the risk of including philanthropic initiatives within the notion of CSR.[1] The risk may lie in demanding single-mindedness in executive choices. Little has been written, at least in Italy, about interpreting CSR through a territorial key. It may be instructive to refer to some empirical studies,[2] which refer - not by chance - mainly to philanthropic cases in which CSR is "unconscious," "sporadic" and

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[1] Philanthropy and charitable work are positive aspects of the policy of an advanced enterprise, but are on the opposite side of the balance sheet from profit.
[2] W. Sancassiani, 2005. "Verso distretti responsabili e nuove identità di territorio" (Towards responsible districts and new ideas of territory), in the periodical *Comuni polvere e polvere di Comunita, Communitas*, no. 3-4, which deals with "the study of 55 enterprises in three manufacturing districts around Modena" (p. 153).

"dependent" on individuals. Recent experience concerns "the purchase of flats for immigrant workers, the construction of clinics, sports and recreation centres, restaurants and cafés within the company at concessionary prices for employees, the purchase of works of art, the purchase of medical instruments for the local hospital structures;" it follows from this that "these are actions characterized by a combination of a strong sense of belonging to the local district (territory) and solid values, pride and sensitivity to one's own personal reputation and that of the company."[1]

In my view, better results are achieved by taking responsibility for relations that are reciprocal in a multiplicity of ways, and which lead to the creation of a synergy of exchange and involvement, avoiding one-sidedness and fragmentation into separate enterprises, separate departments, separate entities and separate measures.

This facilitates a transition from the integration of social and environmental issues into the corporate decision-making process to issues that cover planning local public policy, thus exercising the principles of mutual assistance and sustainable development. It also facilitates breaking out of the scheme of exchange to adopt the networking model, which genuinely takes in a great many actors who thereby avoid incurring unnecessary costs, prevent tasks piling up, and save energy and resources, all the while consciously recognizing their own limits.

The view of social responsibility thereby extends to territory as the proposal of a collective entity that agrees to become the initiating nucleus of the networking structure. The ultimate aim remains the integration of the production strategy of a given territory with social and environmental considerations (to adapt the European Commission's 2001 Green Paper definition of CSR) and to find innovative solutions that will assure the sustainability - and thereby the competitiveness - of its own development. In other words, this strategy links competitiveness with development in an innovatory manner.

The greatest problem is defining what the territory, or rather the territorial community, consists of and how large it is. Later essays, to which I direct the reader, will deal with this question. It will be sufficient here to recall that we cannot simply stay with the transfer of the reference model and, in consequence, ascribe socially responsible choices and conduct to entities that are not corporations, without defining them and identifying the entity that launched the initiative. Just as the initial discourse was of moving from large enterprises to smaller ones, to the non-profit sector, to cooperatives, to local authorities, to multi-utilities, to trades unions, so too the next shift is to the district, to local bodies, to civil society and to the individual citizen. Each

[1] Ibid, p. 155.

time responsibility is focused on these actors, with a concomitant increase in acronyms and buzz-phrases,[1] as well as of experiences. Obviously, major and significant differences emerge between these entities, on account of which the (new) leading CSR actor is confirmed, as is the fact that it serves either as driving force or as overseer.

It is important, therefore, to identify the collective or pluralist entity able to take direct action or merely to be the driving force of the cycle. Whenever local authorities become this entity, there may be multiple activities, in the following categories: promotional (by dissemination of examples of best practice), reflexive (applied within the entity's own structure), or regulatory (depending on the entity's powers). Whenever a group of associated enterprises emerges as this entity, the area of operation corresponds more closely with the willingness of each enterprise. And whenever this entity is a mixed association, its possible impact is the promotion of values and assistance in joining the network.

Particularly in cases when the foundational entity is a local body or mixed association, the strategy may be regarded as the model of deliberative democracy in which "any decision-making procedure is legitimate only if all interests, opinions and positions in society are represented and involved in the decision-making process" (Young, 1999).[2]

There is not time here to consider studies that take as their basic principle the inclusion and active involvement of all those actors that are interested and involved because of decisions being made in a given territory. It is enough to observe that what is in question are decision-making processes for Agenda 21, the experience that is closest - at least as regards sustainability - to the notion of territorial social responsibility. There are similarities between the two ideas: both emphasize adaptability and flexibility; both are based on the action of individual and collective stakeholders; both are geared up to the crisis of transition dictated by globalization and market internationalization; both call for identifying common ground where collective decisions can be made that are imbued with a high degree of ideals.

Yet if we seek to define the direct link between deliberative democracy and TSR, I believe it can be found in the potential for the inclusion of the citizen, even to the point of direct involvement, in the management of the *res publica*, moving on from "negotiation" to "decision-making," from representative democracy to deliberative democracy (Donolo, 2005).

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[1] Such as the social responsibility of the individual district, territorial and institutional social responsibility, civic social responsibility.

[2] Translator's note: original source not provided; the quotation has thus been re-translated from the Croatian.

These are merely initial thoughts as a basis for reflection, needing not only a theoretical component but also specific experience to test their feasibility and impact. In my view, what might make a difference is the possibility of placing all the entities noted in a synergistic relationship. Territorial social responsibility, with all its different degrees of intensity, requires a networking structure with a division into territory, activities, instruments and resources.
But what might its objectives be?

The area of impact of TSR: the ability to attract and provide employment for talent

The aims of TSR do not diverge from those of CSR, although there is a clear polarization of the social and environmental competitiveness of territories. An area that should certainly be privileged is that of education and retraining, which are essential to enhancing the knowledge and abilities of the people living and working in a given territory. This ranges from retraining existing personnel to creating a base of young people setting themselves the goal of on-going lifetime education and training as a permanent modality for self-improvement and innovativeness, following the best guidelines from the European level, particularly the Lisbon strategy.
The Lisbon Strategy of 2000 was designed to drive Europe towards a social model based on innovation, education, and full employment with good job quality. A year later, work began on processes focused on CSR. European documents continued to highlight the importance of on-going lifelong learning: employees opt for on-going education regardless of the specific expertise needed when offering their services, while lifelong learning is about improving and upgrading expertise and know-how, on becoming aware how difficult it is to separate professional matters from those designed for the development and improvement of one's own skills. On the other hand, there are almost no occupations, and those that do exist are in ever fewer areas, where people may be employed without qualifications or finishing their education. On-going, lifelong learning is not merely a defence mechanism; it is a vector of innovativeness and competitiveness. It provides us with an instrument for reflection and the application of new methodologies, for honing our skills, for enhancing our expertise and, thereby, our productivity. Just as a person facing unemployment must necessarily adapt his or her skills, so too it is important for the employed to be provided with analogous, more flexible instruments. This is true of every occupation, but its importance increases exponentially for those occupations and professions that call for a higher level of education and for attention in the context and evolution of productive and financial economic systems.

Attention should also be focused on the culture and well-being of individuals, to ensure that they see themselves as the principal competitive advantage of a given territory. In that area, Veneto has no equal, since all it needs is further to enhance the valorization of its historical and natural heritage.
Research and education and training must go hand-in-hand in a subject such as the one addressed here, and can generate education and training projects specifically aimed at underpinning and developing future social responsibility.
If one agrees with everything that has been set out here, it becomes clear that CSR, and its specific development through TSR, is a multipurpose instrument for applications ranging from creating an identity enabling society to arrive at a social management system, to the choices that each individual acting in society must make in regard to his or her conduct at every level of expertise, skill and occupation within each enterprise as well as within the network of all the region's enterprises.
More broadly still, we may claim that the aims should lie in the community's ability, by means of choices for the future through TSR, to become inclusive, creative, attentive to individual well-being and to the quality and effectiveness of services.