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## Corporate Social Responsibility and Competitiveness within SMEs of the Fashion Industry: Evidence from Italy and France

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**Abstract:** Our paper analyses the link between the adoption of corporate social responsibility (CSR) and competitiveness performance among small and medium enterprises operating in the fashion industry. The study refers to a sample of 213 SMEs (Small and Medium sized Enterprises) located in Italy and France and is based on a correlation analysis between competitiveness variables and the CSR practice adopted. The results show a significant correlation with regard to the innovation process, both from the technical and the organizational point of view, and the intangible performances. On the other hand, another competitiveness macro-category, which is the market performance (measured as demand trend, turnover and business attraction), presents deceptive results, although a positive correlation with the adoption of market-oriented CSR practice emerges. The study is explorative and represents a relevant basis to future studies concerning the nature of the emerged co-relations.

**Keywords:** competitiveness; corporate social responsibility; fashion industry; SMEs; textile

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### 1. Introduction

Corporate social responsibility (CSR) represents one of the theoretical frameworks aimed at clarifying the role of business in society [1–4]. Since the mid-1950s, when Bowen [5] provided the first definition “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”, the concept of CSR has evolved significantly, through concepts, such as firm citizenship [6,7], corporate philanthropy [8,9] and stakeholder theory [10,11]. Over the last two decades, the concept of CSR has increasingly focused on corporate strategy, which is closely associated with financial and competitive performance goals [12]. CSR is thus no longer conceived of as the moral “responsibility” of corporate managers for the greater social good or the discretionary expenditure of executives that could hamper a corporation’s profitability, but as a strategic resource to be used to improve the bottom line performance of the corporation [13].

In the late 1990s, a wide debate developed around the business case for CSR and its real capacity as a driver for improving competitive performances. Research in this field has produced mixed results [14–16], and the impact of CSR practices on competitive performance is still unclear [17–19]. The existence and the nature of this relationship is even less clear when CSR strategies and practices are adopted by SMEs [20]. This is due both to the difficulty in identifying the effects in the medium–long term [21,22] and to the nature itself of CSR strategies, often characterized by a lack of codification and based on informal relationships between SMEs and their stakeholders [23–25].

This article shows the results of a survey amongst 213 SMEs operating in the fashion sector in two EU countries (Italy and France). The aim was to investigate to what extent such firms have improved their competitive edge by adopting CSR-oriented strategies. This survey was carried out in 2010 within an EU co-financed research project (“COSMIC—CSR-oriented supply-chain management to improve competitiveness in the textile/clothing sector”) promoted by the Directorate General “Enterprise and Industry” within the “Fostering Corporate Social Responsibility in European Industrial Sectors” program.

We examine whether there is a proven connection between the possibility for companies to act responsibly towards the environment and society, while gaining competitive advantages. From a methodological point of view, we performed a correlation analysis between competitiveness variables and CSR practices. The results can be considered both a contribution to the debate concerning the business case for CSR and a new starting point for future research, aimed at analyzing, in depth, the nature of the positive correlations that we found.

The innovative element is that the research focuses on SME performances belonging to the fashion industry consisting of enterprises from textile, clothing and tanning sub-sectors, sectors that have received little attention in the literature. We also identify specific categories of CSR strategies and competitiveness, the results of which could form the basis for further studies.

Section 2 overviews the literature on the link between CSR and competitiveness. The methodology adopted to design the survey’s questionnaire is described in Sections 3 and 4. Results are presented in Section 5 and conclusions drawn in Section 6.

## **2. The Debate around CSR and Competitiveness**

In the last two decades, the debate on the strategic potential of CSR and the existence of a possible relationship between CSR and competitive edge has become increasingly relevant [9,19,26], and at the same time, studies on the business case for CSR have become increasingly focused [9,27–29].

Although empirical evidence for the market outcomes of CSR is still inconclusive [15,30,31], much has been written on how a strategic adoption of CSR could lead to financial rewards in the long run [12].

The proponents of CSR have tended to argue that responsible business behavior can reduce the costs and risks of firms. Smith [32] claims that CSR activities in the form of equal employment opportunity (EEO) policies enhance long-term shareholder values, with a positive impact on cost structures. Cost and risk reductions may also be achieved through CSR activities aimed at the natural environment. In this case, initial investments tend to pay off over time, thanks to cost savings from a better and more rational management of natural resources, lower litigation expenditure and lower insurance costs [33,34]. Cost and risk reductions can be also obtained when CSR focuses on managing community relations. Positive community relationships may contribute to attaining tax advantages for firms [35] and to decreasing the level of regulation imposed on the firm, as the firm is perceived as a sanctioned member of society [36].

CSR can also have a positive impact on human resources. According to Cochran [37], a firm with good employee relations can lower its employee turnover rate and improve employee motivation. Additionally, on the basis of the experiences of large firms, such as Google, good employee relations may be important in attracting new staff [37]. Smith [32] maintains that an explicit statement of EEO policies has additional benefits for enterprises, as they provide the opportunity to recruit and retain the most talented employees with a competitive advantage over other companies.

Research on human resource management has also provided evidence that programs focused on preventing risks for workers' health and safety (H&S) reduce absenteeism (again, increasing labor productivity), reduce costs connected with injuries (and related insurance tariffs) and yield other direct financial benefits [38,39]. Exploiting a structural equations model and using a sample of 455 Spanish firms, Fernández-Muñiz *et al.* [40] empirically tested the relationship between the maturity of safety management systems and competitive performance. The results show the positive influence of H&S management systems on competitive variables, such as image and reputation, productivity and innovation.

Regarding customer satisfaction, research has demonstrated that CSR can play a key role in the quality of products and services offered. Evidence of a positive relationship has been shown by Nicholls [41], who stresses the relevance of a growing market for fair trade products in the U.K., by Manaktola and Jauhari [42], who show the relevance of increasing awareness among consumers regarding corporate engagement in CSR activities, and by Koszewska [43], who demonstrates that CSR standards (and in particular, SA8000 certification) can be a significant factor in customers' ability to differentiate textile and clothing goods.

With respect to strategies committed to environmental protection, a survey that involved 252 Brazilian enterprises [44] showed how the attention paid to environmental impacts can enhance product differentiation and, thus, can particularly support performance in export markets where green consumers are more active.

Finally, a significant number of studies have argued that CSR can pave the way to innovation through the use of social, environmental or sustainability drivers to create new business models, new products, services and processes and new market opportunities [45]. Little [45] believes in the communicative power of innovation, as framed within the CSR approach and the possibility of transferring this innovation to other organizations through the supply chain, thus creating a virtuous cycle. Many authors have demonstrated that CSR practices focused on environmental protection can contribute to

innovation and performance by stimulating local stakeholder engagement [46,47] and by promoting the implementation of environmental management tools [48–51].

All these works related to environmental protection have adopted quantitative methods based on data collection and statistical elaborations to demonstrate the existence of a positive relationship between CSR and competitiveness.

Most of the abovementioned research has focused on medium–large enterprises. In fact, although small- and medium-sized enterprises are very relevant, applied research on the relationship between CSR and their competitive performance has been rather limited. On the basis of a survey carried out amongst Italian SMEs from different industries, Longo *et al.* [52] highlighted that the implementation of CSR-related practices has a positive effect on human resources management, with a decrease in the costs associated with retention and absenteeism. Based on semi-structured interviews with 24 U.K. SMEs, Jenkins [53] found that most of the benefits perceived by owners and entrepreneurs had an intangible nature, mainly connected to an increase in the motivation of human resources, and that, with the exception of environmental initiatives, few companies had experienced hard cost savings [53].

Fontrodona *et al.* [54] proposed a broad approach to foster understanding of CSR and innovation in SMEs. They distinguish between CSR-driven innovation and innovation-driven CSR. The former is driven by values regarding the creation of social products and services; the latter is more aligned with creating social processes. In innovation-driven CSR, the result concerns the way in which the output is developed through employee or supplier actions, which are also socially responsible [54].

Iturrioz *et al.* [55] studied the association between various dimensions of social responsibility and the business value. The study involved 245 SMEs in Spain that had adopted different CSR strategies. The outcomes of this research suggest that value chain and internal community CSR actions exhibit the strongest association with business value. In Italy, Tantalò *et al.* [56] examined the perception of managers from 50 Italian SMEs involved in CSR activities relevant to the impact of various types of CSR activities on the long-term competitiveness of firms. The results of this study suggest three categories of CSR actions with a high impact on competitiveness: (i) ethical production management; (ii) environmental considerations; and (iii) customer value creation.

Finally, other evidence has shown how CSR can stimulate the innovation of SMEs, by implementing stakeholder engagement. Battaglia *et al.* [57], Von Weltzien Høivik and Shankar [58] and Testa *et al.* [59] describe the positive outcome of local networking and co-operation amongst stakeholders in terms of innovation opportunities for SMEs operating in industrial clusters. This is when the so-called “cluster approach” fully deploys its synergies, and scope economies applied not only to productive aims (as traditionally happens in the Marshallian industrial districts), but also to CSR priorities.

Studies indicating that good competitive and financial performance is associated with CSR practices are generally not convincing, since the results are subject to research bias and are uncertain regarding the causal relationship between the two concepts [16]. Margolis and Walsh [15] conducted an overview of 127 multiple regression studies on the relationship between social performance and financial performance from 1972 to 2002. The results were mixed, without a clear correlation between these two variables. In a review of studies conducted within the marketing and consumer research discipline, Valor [30] argued that consumers may not be able to support companies engaging in CSR activities, owing to the consumers’ limited power in the marketplace. Consuming responsibly is a

time-consuming activity, economically disadvantageous and stressful. Valor proposed that policy-makers empower customers by “providing consumers with more information through mandatory reporting on social and environmental performance and the development of a “comprehensive social or CSR label” [30] (p. 323). Finally, Morgan and Birtwistle [60] conducted a study based on the combination of qualitative (interviews) and quantitative (survey) methods targeted at consumers and experts. The results showed a lack of awareness on the part of young consumers regarding the environmental and ethical performance of textile and clothing products and a lack of understanding of how consumer behavior can influence the environment.

As previously stated, although a prevalence of research has demonstrated the competitive effectiveness of CSR-related strategies, the business case has not yet been successfully clarified in the academic debate.

### 3. Methodology

Our contribution to the debate on the business case for CSR focuses on the experience of SMEs in the fashion industry. The fashion industry is characterized by a high labor intensity and a considerably segmented and internationalized supply chain. In spite of its segmentation, the fashion supply chain (raw materials, design and production, distribution and marketing) is usually organized as a strongly integrated production network [61–63], where partner enterprises are often located in different European and non-EU countries. The trade liberalization of the textile/clothing sector [64,65] has stimulated EU companies to produce in offshore and near-shore countries by outsourcing in low-cost countries. Indeed, the number of enterprises operating in the fashion industry in Western EU countries began to decrease significantly from the late 1990s, compared to an increase in Asia and South America [65–67]. Enterprises that have continued to produce in EU countries have faced significant global competition and have had to identify new instruments in order to gain a competitive advantage within the market.

In our survey, we asked whether CSR-related instruments and practices could be one way to tackle this competition and which kind of CSR practices were positively correlated with competitive variables.

To assess the link between CSR practices and competitive performance, we used data collected through interviews carried out within an EC co-financed project (COSMIC) and targeted fashion firms (mostly SMEs) located in France and Italy, two countries where the textile/clothing and tanning industries have a considerable productive and branding tradition. More than 1/3 of total EU-27 fashion firms are located in France and Italy, employing about 25% of total EU-27 workers in this sector (data from EUROSTAT [68]).

In this research, we measured the level of adoption of CSR practices by using a set of questions to investigate the adoption of a specific CSR initiative. We classified CSR initiatives into five different groups: the first four coinciding with a classification into four areas of CSR relevance identified in 2008 by the European Commission [14] and related to a stakeholder theory approach, as stressed by Perrini *et al.* [69]. According to the stakeholder theory [10,11], firms are open systems that interact with a wider system, that is the external environment of reference, made up by the stakeholders. Research has thus started to focus on four areas of responsibility: human resources related, market related, community based and environmental outcome related. Within these stakeholder settings,

specific tools and practices of CSR management can be identified, which can influence specific competitive variables (drivers). As highlighted by Perrini *et al.* [69], the stakeholder theory is key to interpret the relationship existing between CSR and competitiveness; by understanding the stakeholder perspective, we can gain a better grasp of how CSR affects performance.

The CSR-related areas of initiatives follow.

- *Environment-related CSR*. This category refers to the actions a company can take to mitigate its negative impact on the environment, such as energy efficiency measures, a reduction in pollutants, water saving initiatives and a reduction in dangerous waste production. We tested the adoption of environment-related CSR strategies using three potential initiatives: the adoption of internal environmental audits, the implementation of a monitoring system for their environmental impact and, finally, experimentation with new ecological raw materials.
- *Workplace CSR*. This category covers how a company treats its employees. It includes issues such as recruitment, work-force diversity, pay and working conditions, health and safety and human rights. We considered three kinds of strategies: adoption of an internal code of conduct, the definition of specific benefits for employees and the adoption of sophisticated systems for the evaluation of staff.
- *Community-related CSR*. This category deals with the relationships between a company, citizens and communities, who may be affected by business operations. It includes dialogue and partnership with potentially affected communities or active contribution to social wellbeing. We identified two potential types of initiatives: adherence to ethical and/or environmental initiatives at an international level (such as the UN Global Compact) or the promotion of initiatives in favor of local communities.
- *Marketplace CSR*. The last CSR strategic area covers how a company operates in relation to its suppliers, customers and other economic actors operating along the supply-chain. It includes issues, such as responsible advertising and marketing, dealing with customer complaints, ethical commercial practices and imposing social and environmental requirements on suppliers. We took into consideration initiatives aimed at promoting ethical and/or eco-compatible products in partnership with other firms along the supply chain, and the implementation of green and ethical supply chain management (with or without ethical/ecological labels).

Our fifth category includes formal CSR tools representing structured and complex managerial instruments, such as sustainability labels, certification of management systems and sustainability reporting. This is because, as widely demonstrated by the literature [21,24,25,53], SMEs often adopt informal CSR strategies, considering the formalized approaches as being too expensive and unsuitable. We measured initiatives, such as the attainment of certifications (such as compliance with EMAS regulation, SA8000 international standard, *etc.*) and labels (Ecolabel, Oecotex, *etc.*) or drafting CSR reports (such as sustainability reports, social reports, environmental reports).

Focusing on the firm level, competitiveness measures relate, for example, to the ability to sustain: market shares, independent existence on the market or “normal” levels of profitability and returns [70]. Our analysis of firms in the fashion sector focused on various “dimensions” of competitiveness. Although quantitative data ideally should be used for measuring competitive performance, the use of self-reported data is not uncommon in the related literature (see, for instance, [71–75]).

The competitiveness dimensions are represented by three key variables: market performance, innovation capabilities and intangible assets.

- (A) Market performance represents the most common indicator of the competitive “health” of an organization. The ability to generate profit in the medium–long term is a necessary factor for a firm’s economic performance. Several indicators are used to measure the level of competitiveness, such as return on equity [76], return on sales [77] or cash flow [78]. We measured organization profitability using four indicators: turnover, demand for firm products by traditional clients, demand by new clients and the level of appeal in the business for new members and for partners.
- (B) Innovation is a primary source of economic growth, and environmental innovation is a key factor for pollution reduction and prevention. Different types of models, which lead to different empirical predictions, can explain the development and persistence of innovation at the firm level [79]. The OECD—Organization for Economic Cooperation and Development [80] Guidelines for Collecting and Interpreting Technological Innovation Data distinguish between “technical” and “organizational” innovations. We thus analyzed innovation performance by asking managers for their opinion on the level of technical and organizational innovation in their companies by considering variables, such as the development of new products, the use of innovative raw materials, the implementation of planning tools and training personnel on innovation.
- (C) Competitiveness depends on the “quality” and “quantity” of the resources available and on the ability of companies/industries to optimize their use. The “resource-based view” explicitly recognizes the importance of intangible assets, such as know-how (human capital), corporate culture and reputation. This approach has been developed in the literature starting from the frustration with the “structure-conduct-performance” paradigm of the industrial organization view of the firm [34]. According to the resource-based view, resources are classified as tangible, intangible and personnel-based [81]. Tangible resources include financial reserves and physical resources, such as plant, equipment and stocks of raw materials. Intangible resources include reputation, technology and human resources; the latter also encompassing culture, training and the “expertise” of employees, as well as their commitment and loyalty. Our aim was to investigate whether the adoption of CSR measures has a relation with the abovementioned intangible assets. We selected the following five variables: personnel motivation, personnel productivity, reputation, relation with stakeholders and relations with credit institutions (who represent key partners for SMEs’ investments).

Respondents were asked (Table 1) to use a five-point scale and to assess the indicator trends over the last five years, in order to provide evidence on the effectiveness of their actions on competitive variables.

**Table 1.** Variables. CSR, corporate social responsibility. GSCM, green supply chain management.

Variable abbreviations	Questions
ISO 14001	Do you have an ISO 14001 certification?
EMAS	Do you have an EMAS certification?
Ethic certif.	Do you have ethic labels (such as: SA8000 certification, OHSAS18001 certification, Fair Trade certification, Trans Fair certification, <i>etc.</i> )?
Other certification	Do you have any other certifications, such as product certifications (Ecolabel, Environmental Product Declaration, Blauer Engel, <i>etc.</i> ) or other sectoral certifications (Oecotex)?
CSR report	In the last 5 years, have you drafted a social/sustainability and/or an environmental annual report?
Audit	Do you conduct internal environmental audits?
Monitoring system	Do you measure regularly your impacts with environmental indicators?
Raw material and pdt	Have you ever tried and adopted raw materials or auxiliary products with reduced environment impacts?
Codes of conduct	In the last 5 years, did you draft and/or adopt codes of ethics and/or codes of conduct?
Benefits employ	In the last 5 years, did you adopt benefits for employees? (e.g., flexibility of individual working hours, requests for part time contracts, convention with sports and cultural centers, collaborations with trade unions, <i>etc.</i> ).
Staff_eval	In the last 5 years, have you implemented sophisticated systems for the evaluation of staff (e.g., balance of competences, processes for evaluating the potential, <i>etc.</i> )?
Intern_initiat	In the last 5 years, have you adhered to ethical and/or environmental initiatives at international level (e.g., Global Compact, Accountability1000)?
Local_comm	In the last 5 years, have you promoted initiatives for the local community (e.g., support for local projects, sponsorship of events promoted by associations or local groups, open doors, <i>etc.</i> )?
SC_agreem	In the last 5 years, have you stipulated agreements and partnerships with customers and suppliers to promote ethical products and/or eco-compatible (e.g., shared advertising campaigns, manufacturing consortiums, <i>etc.</i> )?
GSCM_env	Choosing your suppliers, do you keep into consideration environmental compatibility of raw materials, auxiliary products or services purchased?
GSCM_envethcert	Choosing your suppliers, do you keep into consideration if they have ethical or environmental certifications (e.g., ISO14001, EMAS, SA8000, <i>etc.</i> )?
Turnover	In your organization, how do you consider, in the last 5 years, the turnover trend?
Demand traditional customers	In your organization, how do you consider, in the last 5 years, the level of demand for your products from your traditional customers?
Demand new customer	In your organization, how do you consider, in the last 5 years, the level of demand for your products from your new customers?



Table 1. Cont.

Variable abbreviations	Questions
Business attraction	In your organization, how do you consider, in the last 5 years, the level of appeal of your business for new members and partners (entry of new members, attainment offer, proposals for mergers, <i>etc.</i> )?
Technical innovation	In your organization, how do you consider, in the last 5 years, the level of technical innovation ( <i>i.e.</i> , development and launch of new products, use of raw materials or auxiliary products innovative, acquisition of technologically advanced equipment for production, new technologies for abatement of pollutants, new materials to more energy-efficient, <i>etc.</i> )?
Organizational innovation	In your organization, how do you consider, in the last 5 years, the level of organizational innovation of your company ( <i>i.e.</i> , new internal figure in charge of areas, such as environment and safety, planning tools and training of personnel, <i>etc.</i> )?
Personnel motivation	In your organization, how do you consider, in the last 5 years, the motivation and participation of company staff ( <i>i.e.</i> , satisfaction demonstrated by the workers, employees' suggestions to the firm, level of work integration between employees, <i>etc.</i> )?
Personnel productivity	In your organization, how do you consider, in the last 5 years, the productivity of staff ( <i>i.e.</i> , staff skills, quality of work performed, level of not absenteeism, turnover trend, <i>etc.</i> )?
Reputation	In your organization, how do you consider, in the last 5 years, the level of satisfaction about the consideration that your customers and suppliers have of you?
Relation with stakeholder	In your organization, how do you consider, in the last 5 years, the intensity and quality of relationships with local stakeholders (public authorities and control bodies, associations and local communities, representatives of categories and trade unions, <i>etc.</i> )?
Relation with credit	In your organization, how do you consider, in the last 5 years, the ease of access to credit from banks and financial institutions?

On the basis of the answers, we built a set of categorical/binary variables to measure, by a correlation analysis, the link between competitiveness and CSR practices.

Since the data from the study were collected using survey techniques, it is important to address the limitations of the survey data. One main drawback of survey data is the common method variance (*i.e.*, variance that is attributable to the measurement method rather than to the constructs the measures represent). In our case, the main sources of bias could be: consistency motif, social desirability, leniency biases and acquiescence biases. Following Podsakoff *et al.* [82], in order to minimize this bias we:

- Guaranteed a temporal and psychological separation between the different measurements of the study by locating the questions used to construct the variables in different sections of the questionnaire. Furthermore, we used different response formats for the questions;
- Minimized ambiguity by avoiding ambiguous or unfamiliar terms, as well as vague concepts or complicated syntax; we kept questions simple, specific and concise;

- Reduced acquiescence by not using bipolar numerical scale values (e.g.,  $-3$  to  $3$ ), by providing verbal labels for the midpoints of scales;
- Minimized socially desirable, lenient, acquiescent and consistent bias, by guaranteeing anonymity.

#### 4. Data Description

The survey was conducted in 2009. Data were collected by means of a standard questionnaire, created according to the OECD survey “Environmental Policy and Firm-Level Management” and divided into three main sections:

- The main features of the interviewed firms;
- The CSR tools implemented by the firm, such as formal tools (e.g., voluntary certification), environmental initiatives, actions involving the supply chain, and so on;
- Competitive performances, such as:
  - Market performance;
  - Innovation performance;
  - Intangible performance.

The structure of the questionnaire was brief and focused on CSR and competitiveness. The questionnaire consisted of “closed questions” (with multiple possible answers and/or questions with evaluations of the answers in a Likert scale). However, during the interview, the interviewer asked for further details concerning the chosen answers. These answers were noted down by the interviewer and, later, were used to interpret the emerging relationships.

The sampling process was carried out in order to guarantee representativeness. Firstly, we selected the NACE codes (international codes for firms’ sectors) that refer to the investigated industry. From different stakeholders (e.g., chambers of commerce, trade associations), we then collected the lists of all active organizations classified within the selected codes and located in the investigated regions. A total of 213 enterprises were interviewed. Most of the interviews were carried out by telephone (166, about 78% of respondents), and the others involved face-to-face interviews (47). One hundred and fifty firms were from Italy and 63 from France. Details are given in Table 2.

**Table 2.** Descriptive Statistics.

	Mean	SD	Minimum	Maximum	Cases
ISO 14001	0.070	0.256	0	1	213
EMAS	0.032	0.178	0	1	213
Ethic label	0.018	0.1367	0	1	213
Other certification	0.042	0.201	0	1	213
CSR report	0.037	0.190	0	1	213
Audit	0.347	0.477	0	1	213
Monitoring system	0.342	0.475	0	1	213
Raw material and products	0.389	0.488	0	1	213
Codes of conduct	0.075	0.264	0	1	213
Benefits for employees	0.399	0.490	0	1	213

Table 2. Cont.

	Mean	SD	Minimum	Maximum	NumCases
Staff evaluation	0.056	0.231	0	1	213
Internal initiatives	0.028	0.165	0	1	213
Local communities	0.295	0.457	0	1	213
Sply Chain_agreem	0.107	0.311	0	1	213
GSCM_env	0.154	0.362	0	1	213
GSCM_envethcert	0.107	0.311	0	1	213
Turnover	2.791	0.880	1	5	201
Demand traditional customers	3.257	0.864	1	5	210
Demand new customer	2.937	0.932	1	5	208
Business attraction	2.094	1.184	1	5	127
Technical innovation	3.382	1.087	1	5	204
Organizational innovation	3.034	1.004	1	5	204
Personnel motivation	3.583	0.932	1	5	209
Personnel productivity	3.876	0.745	1	5	211
Reputation	4	0.669	1	5	202
Relation with stakeholder	3.190	1.062	1	5	194
Relation with credit	2.988	1.124	1	5	178

## 5. Results and Discussion

Table 3 describes the results of the correlation analysis on the basis of the questionnaire data. As anticipated, the empirical evidence on the relationship between CSR practices and competitive performance is not univocal and, in some cases, is divergent. The most significant results from the co-relation analysis are described in the following section. These results include an analysis of the additional comments offered by the respondents.

### 5.1. CSR and Innovation

CSR can lead to innovation through activating drivers that can create new ways of working, innovative products, services, processes and new market opportunities [46–48,50,83,84]. Our analysis highlighted that innovation performance is the most direct and effective competitive implication originating from CSR initiatives.

A positive relationship emerges, in particular, between environment-related CSR practices and innovation, for which higher correlation coefficients were noted. In fact, environmental tools, such as audits, monitoring systems or training, as well as the adoption of formal EMS, tend to lead to an accumulation of know-how and increase the technical capacity within the company, thus inducing a higher innovation rate. The more an organization invests in environmental innovation, the more it becomes capable of developing new technologies and organizational solutions in this area, and of effectively managing them, thereby improving its competitive factors based on innovation.

Table 3. Co-relation analysis result.

		Formal CSR Initiative					Environment related-CSR			Workplace-related CSR			Community related CSR		Marketplace CSR		
		ISO 14001	EMAS	Ethic certif.	Other certif.	CSR Report	Audit	Monitoring system	Raw material and pdt	Codes of Conduct	Benefits employ	Staff_eval	Intern_initiat	Local_comm	SC_agreem	GSCM_env	GSCM_envthcert
Market performance	Turnover	0.1326 *	0.2083 ***	-0.1025	0.0026	0.1383 **	0.0774	0.1127	-0.0454	-0.0466	0.1174 *	0.0144	-0.0613	0.0105	0.0100	0.0023	0.0539
	Demand traditional customers	0.1538 **	0.1269 *	0.0864	0.0107	0.0829	0.0856	0.1018	0.1190*	0.0691	0.1434 **	0.0685	-0.0628	0.1268 *	0.0314	0.0345	0.1100
	Demand new customer	0.0802	0.1052	0.1329 *	0.0949	0.1160 *	0.0408	0.0178	0.0327	-0.0183	0.0682	0.1058	-0.0088	0.1755 **	0.1204 *	0.1409 **	0.1564 **
	Business attraction	0.0004	0.0250	-0.0342	0.0340	0.1105	0.3036 ***	0.1615 *	0.1183	0.2472 ***	-0.1329	0.0699	0.1217	-0.0404	0.2856 ***	0.1429	0.1355
Innovation performance	Technical innovation	0.1611 **	0.1708 **	0.0442	0.1280 *	0.1760 **	0.3310 ***	0.3043 ***	0.2104 ***	0.0376	-0.0071	0.0696	0.1089	0.0738	0.2410 ***	0.1753 **	0.1803 ***
	Organizational innovation	0.2543 ***	0.1919 ***	0.0151	0.1654 **	0.1685 **	0.3161 ***	0.3376 ***	0.1482 **	0.1767 **	0.0468	0.1160 *	0.1400 **	0.1828 ***	0.1125	0.1455 **	0.2093 ***
Intangible performance	Personnel motivation	-0.0366	-0.0526	-0.0957	-0.0499	0.0598	0.0308	-0.0791	-0.0396	-0.1384 **	0.1240 *	-0.0211	-0.1329 *	-0.0002	-0.0279	0.0206	0.0360
	Personnel productivity	0.0173	-0.0098	-0.0269	0.0317	-0.0047	-0.0388	-0.1775 ***	-0.1067	-0.0044	0.1240 *	0.0387	0.0696	0.0402	-0.0114	-0.0270	0.0134
	Reputation	0.0535	-0.0043	-0.0598	0.0347	0.0362	0.1336 *	0.0625	-0.0188	0.0240	0.0810	0.1037	-0.0508	-0.0296	-0.0570	0.0550	0.0907
	Relation with stakeholder	0.1629 **	0.0764	0.1243 *	0.0502	0.1325 *	0.1580 **	0.2913 ***	0.1354*	0.2418 ***	-0.0272	0.0315	0.1419 **	0.2623 ***	0.1447 **	0.2107 ***	0.1557 **
	Relation with credit	0.1337 *	0.1807 **	0.1120	0.0093	0.0970	0.2196 ***	0.2090 ***	0.1351	0.0709	-0.2207 ***	0.0248	-0.0045	-0.0975	0.1609 **	0.1763 **	0.2230 ***

\*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$ .

The adoption of environmental management systems, certified according to the international standards for environmental protection ISO 1400 and/or EMAS, shows a positive and significant correlation with “organizational innovation”, confirming that even for SMEs operating in a traditional manufacturing sector, these tools can become important drivers for competitiveness [48,51]. Many of the SMEs interviewed emphasized that the certified management system had been particularly effective, because it boosts a “learning by doing” process, for example how to standardize work and how to use redundancies, how to implement plan-do-check-act cycles. There are thus positive spillovers for the whole organization, not merely for environmental purposes.

We found a strong and positive relationship between green supply chain management (GSCM) practices and innovation. GSCM consists of a set of actions undertaken by a company to effectively manage the relationship with its suppliers. These actions include selecting the suppliers that can provide guarantees on their environmental performance by “greening” the vendor lists and their criteria and developing common improvement projects. In line with previous studies, an effective supply chain-oriented management not only generates environmental benefits, but also significant competitive advantages. Supplier involvement, selection and controlling systems along the supply chain based on environmental criteria, for example, can reduce the interruptions or delays resulting from a critical supplier’s compliance problem.

Our sample consisted of SMEs operating mostly in integrated supply chains, which are characterized by close customer-supplier interactions. This explains the attitude to cooperate, especially with suppliers, on environment-oriented initiatives. Our results show that GSCM was effective in stimulating cooperation, which can lead to significant innovations in the overall product lifecycle and/or can facilitate the development of newly designed products for increasingly greener markets. This dynamic was confirmed by the positive effect that the variable that reflects the environmental action on raw materials and products (*i.e.*, on the product lifecycle) has on technical innovation.

However, with regard to community-related CSR practices, a positive correlation emerges only with the organizational dimension of innovation, *i.e.*, the potential effect of the company’s decision to integrate local stakeholder expectations and concerns with its managerial strategies. In line with the literature [59,83,85], we found that a strong and intense engagement with local stakeholders contributes to the innovation capacity of the enterprise. Especially in sectors where the enterprise dimension is too small to enable formal R&D processes, innovation is increasingly carried out by the companies in our survey as a collaborative exercise, stemming from co-operative processes and developed within networks that comprise social and institutional actors. For example, the role and importance of the financial aid provided by regional, national and EU funds in supporting innovation were widely recognized by the interviewed SMEs. This explains why CSR is becoming crucial to innovation, as it leads enterprises into constructive relationships with its networks.

## 5.2. CSR and Market Performance

The extent to which CSR can help to drive market demand remains a matter of considerable debate. Our correlation analysis did not investigate the causality link, but simply indicates whether there is a dependence link or not. However, we found a significantly positive correlation between “marketplace

CSR” practices and an increase in market shares (especially by gaining new customers). This is not surprising, since the final and intermediate markets in the fashion industry are amongst the most sensitive and prone to valuing “greener” products and/or products that provide ethical guarantees on the supply chain. In the descriptive part of the interviews, many SMEs confirmed the perception that CSR affects their market performance, although most were not able to quantify this effect. Interviewees, for example, recognized that clients and retailers abroad (especially in northern EU countries and the U.S.) are showing increasing interest in greener products, CSR-related certifications and any form of supply-chain guarantees on the social or environmental impacts caused by products or processes. The outcome of our work is thus broadly consistent with some of the most recent literature, such as [44,86,87].

The strengthening of the current market positions of more “sustainable” products is positively correlated with formal and internationally recognized environmental management standards (ISO 14001 and EMAS). This is coherent with other literature findings, including [43], according to which in the fashion industry, certification schemes can represent a strong differentiating factor compared to competitors, thus opening up new demand segments. Our sample consisted of SMEs that can be strongly stimulated by intermediate and final clients and retailers to adopt such forms of environmental or social third-party certification. These “downstream” actors are increasingly pursuing competitive opportunities by qualifying their suppliers and/or stimulating them to adopt voluntary management tools, in order to provide guarantees to the market regarding the sustainability of the whole supply chain. The correlation can therefore be motivated by the strategic choice made by those SMEs that manufacture key-intermediate goods or semi-finished products to use “third-party” certification on products and processes. This is to guarantee the expectations of the customer and/or to maintain the necessary accreditation to be included in its vendor lists. The positive correlation that occurs between the adoption of environmental management systems, certified according to ISO 14001 and EMAS, and turnover is in line with this interpretation (this finding is also consistent with [48,51]).

We also found a strong positive correlation between business attraction, *i.e.*, the level of appeal in the business for new members and partners, and some CSR practices, such as the adoption of codes of conducts, environmental audits and the development of supplier-client agreements. On the one hand, the correlation shows that attractive and profitable businesses are more sensitive to CSR issues and eager to adopt the available connected tools. On the other hand, it shows that the adoption of CSR initiatives can make a business more attractive for new members and partners. On both sides, CSR-related practices are the expression of dynamic firms, who are improving their competitiveness by strengthening relationships with other stakeholders. These results are very much in line with other studies, such as Graafland [88] and Fitjar [89], both related to the fashion sector.

### 5.3. CSR and Intangible Performance

CSR tools aimed at stimulating relationships with external partners (both of a non-profit and commercial nature) yield competitive benefits, particularly in terms of improving what we have defined as “intangible performance”. We found a positive correlation, especially with the two competitiveness variables: “relations with stakeholders” and “relations with credit organizations”.

Quite surprisingly, no significant relationship seems to exist with the “reputation”, “personnel motivation” and “personnel productivity” variables, although they have been highlighted as relevant factors for improving the intangible resources of a company and, consequently, its performance in this area [53,90–92].

With regard to the first positive correlation, there are various factors behind the beneficial effect of CSR initiatives on relations with stakeholders. Our survey highlighted that many SMEs chose to develop dialogue and cooperation with stakeholders as the most effective way to support and enable the implementation of CSR initiatives. Once committed to CSR, many of the interviewed enterprises engaged in partnerships with a wide range of stakeholders, in order to increase and empower their relational network at an institutional, commercial and social level. These SMEs could get support from a wide number of actors operating in their network, and therefore, they were able to rely on resources, know-how, technical expertise, *etc.*, from outside the organization. This approach led to a more general improvement in their intangibles. The same approach also worked in the interaction with the environment [52,57,59,93,94].

The interviewed SMEs that opted for a stakeholder-oriented approach in implementing their environmental management strategies are actually improving their competitiveness on the market by enhancing their intangible resources. Opening the environmental management system to external stakeholders, getting the local community on board for a specific environmental project, building a co-designed or a co-marketing action for a green product with the supply chain are all measures that the SMEs mentioned as opportunities to enrich their intangible assets.

## 6. Conclusions

The most significant outcome of our study was the strong and positive correlation between several CSR-related variables and competitiveness in terms of two of its facets: innovation (both from the technical and organizational point of view) and intangible performance. The only CSR category for which we found a weak and ambiguous correlation was “workplace-related CSR” for which the interaction with the competitiveness variables was clearly less significant than the other CSR strategies.

We found a lack of correlation, or even a negative correlation, with respect to variables, such as the motivation and productivity of human resources and reputation. Despite being considered key effects of CSR strategies by most of the literature, these issues did not seem important for SMEs operating in the fashion industry. A partial explanation for this lies in the fact that the interviewed SMEs tend to have a very small number of employees and are operating in a market mostly dominated by few key/large customers. These two factors are frequently accompanied by very lean organizational structures (*i.e.*, neither interested nor able to measure personnel motivation nor labor productivity) and by limited attention paid to “reputation”.

Our findings on the effects of CSR strategies on market performance, measured as demand trend, turnover and business attraction, are not easy to interpret, although a positive correlation emerges when we restrict the analysis to the adoption of market-oriented CSR practices, *i.e.*, voluntary environmental certification, and sustainable management strategy in the supply chain-based on agreement with commercial partners.

From a management point of view, the evidence collected in the survey led to three important findings. On the one hand, the correlation analysis proves the high strategic relevance of networking for SMEs, from a two-fold perspective. From a “spatial” perspective (*i.e.*, the geographical area where the SME is located), despite the strong degree of internationalization, connections with the local institutions and research centers play a crucial role in the competition arena. From a supply chain perspective, suppliers and clients are the pivotal actors for networking, as they are the ideal partners for developing innovative (green) products, thus achieving new markets and stimulating innovation processes. On the other hand, our analysis confirms that the link between CSR and competitiveness is stronger in terms of the environment.

Finally, our results show a significant role for formal CSR-related instruments from a competitive perspective. The adoption of certified management systems seems to improve market performance and represents a significant driver for organizational and technical innovation. This significance is probably linked to the peculiarities of the fashion sector. The fashion industry is characterized by a high degree of international segmentation, and most enterprises (belonging to textile and tanning sub-sectors) produce semi-manufactured goods. In these markets, ethical and/or ecological certifications represent a guarantee of quality and innovation throughout the supply chain with suppliers and customers.

Some limitations of this study need highlighting. First, the survey was limited to two specific EU countries, so we cannot generalize our results to the whole EU context and, as a consequence, more research is needed in this area.

A second limitation is how we measured variables. Although self-reported data are often used to investigate these relations, the use of quantitative data is undoubtedly preferable.

Thirdly, the analysis considered the existence of correlations between competitiveness variables and CSR strategies, without taking into consideration the “directions” of the correlation emerging as significant, nor analyzing the nature of these correlations. Multiple research and new specific hypotheses should be tested, in order to clarify the characteristics of the significant connections that emerged. From this point of view, this research can be considered an explorative study, highlighting specific areas needing further analysis. We believe that future research should investigate workplace-related CSR and intangible assets more in depth. A detailed investigation (using new surveys or specific case studies) of the nature of the relationships emerging in the correlation analysis represents, in our opinion, the most promising area for future research.

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## Author Contributions

Massimo Battaglia: operative coordination of the research; literature review; analysis and comments of the results emerged by the statistical elaborations. Francesco Testa: preparation of the questionnaire in the research, statistical elaboration of data; comments of the results emerged. Lara Bianchi: operative contribution to the research; literature review; analysis and comments of the results emerged



by the statistical elaborations. Fabio Iraldo: comments of the results emerged by the statistical analysis; drafting of the conclusions of the paper. Marco Frey: scientific coordinator of the research; definition of the theoretical framework in the paper.

### Conflicts of Interest

The authors declare no conflict of interest.

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