



CORPORATE SOCIAL RESPONSIBILITY IN THE HARWOOD MARKET: a case-study on the Italian wood working industry internationalization process

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1. INTRODUCTION the research questions

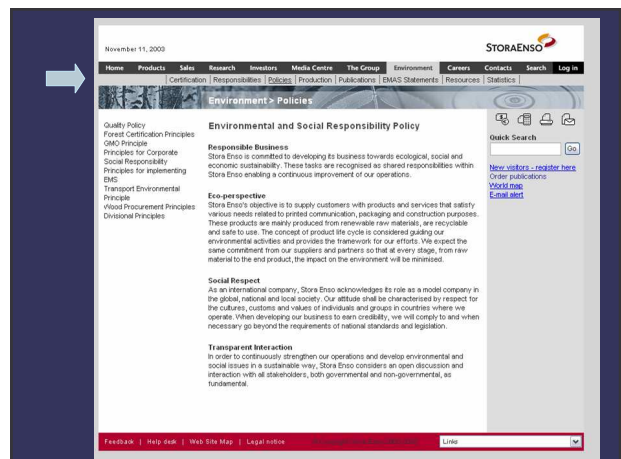
Corporate Social Responsibility (CSR)

*"CSR is a concept whereby companies integrate **social and environmental concerns** in their business operations and in their **interactions with their stakeholders** on a **voluntary basis**"*
(European Commission)

CSR voluntary instruments

(EC, DG E&SA, 2004 mod)

- A. Responsible management
 1. Code of conducts
 2. Management standards
 3. Accounting & auditing
- B. Responsible behaviour towards consumers
 1. Reporting
 2. (Eco) labelling
- C. Socially responsible investment
 1. Ethical index
 2. Ethical finance
- D. Philanthropy



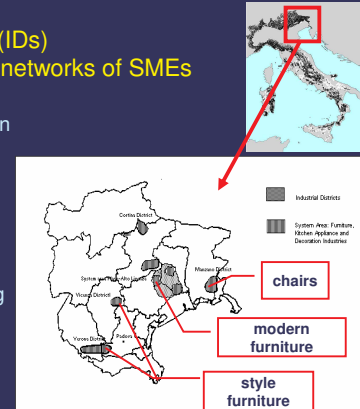
- **47,000** companies; 240,000 direct employees (**350,000** in all the system)
- Key role played by **SMEs**: 97% with <20 employees
- Turnover: **42 billions Euro** \Rightarrow 5.3% of Italian industrial production
- International leadership in the **furniture** sector (till 2005, 1st world exporter; now 2nd after China)
- Scarce domestic wood supply: the largest European **importer of hardwood** (2.6 M cm logs; 1.5 M sawnwood; 0.3 M cm veneer; 0.4 M cm plywood)

A shift from tropical to temperate hardwood (new partners: USA) and from F & ex Jug to East Europe

1st importer from: Cameroon, Ivory Coast, Romania, Bosnia, Albania,.... (FAO, 2000)

Industrial Districts (IDs) = spontaneous local networks of SMEs

- Strong vertical integration
- High differentiation
- Few large enterprises
- Support by companies producing wood-working machineries



Research questions

- How the sector is reacting to the internationalisation process?
- Are SMEs involved in the process of internationalisation?
- Are they becoming more responsible for the environmental and social impacts of their activity?
- Which is the role of industrial districts in this process?



2. SMEs INTERNATIONALISATION PROCESSES

Since the '80s Italian SMEs have decided to expand and re-allocate their productive units over the national borders driven by 3 main forces:

1. **market expansion**
2. **costs minimisation** (wages, raw materials, transportation, taxes, environmental and social standards)
3. **integrated internationalization policy**, combining market strategy (consolidation), cost strategy, and social dynamics (lack of labour force in Italy)

Products are generally re-imported to keep the **Made in Italy** (design & control)

Internationalisation of the wood-furniture sector

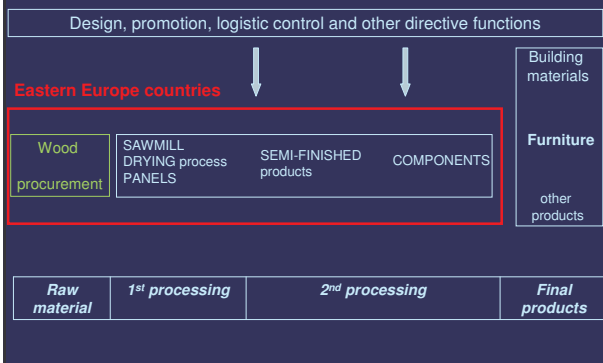
Special features:

- late reaction by SMEs to international pressure

2 steps:

- **first**: market expansion by showrooms and trade points (key role of the ID)
- **later**: de-localisation of productive stages (decision taken by the single company)

De-localisation of SMEs activities in the wood products value chain



SMEs de-localisation in Romania: driving forces

- Reduced production costs
- Support by the Italian Government (FINEST and SIMEST financing institutions) and by the EC
- Similar language and cultural background
- Transport infrastructures
- Strategic position for getting into new markets (Russia)

- Italy is the first commercial partner for Romania
- More then **3,000 enterprises** in different sectors
 - mainly SMEs from IDs of NE-Italy
 - textile and wood-working



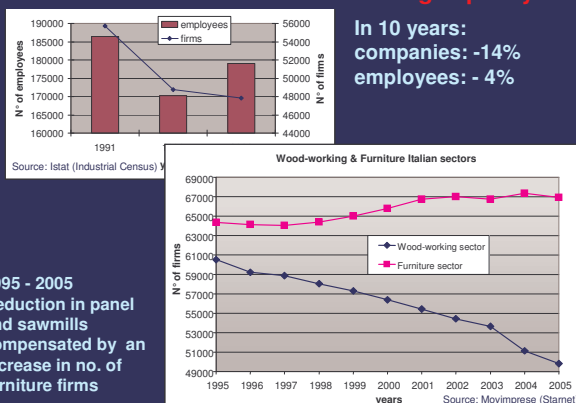
3. THE EFFECTS OF DE-LOCALISATION with special reference to Romania

Effects of SMEs expansion in Romania

Impacts at various levels:

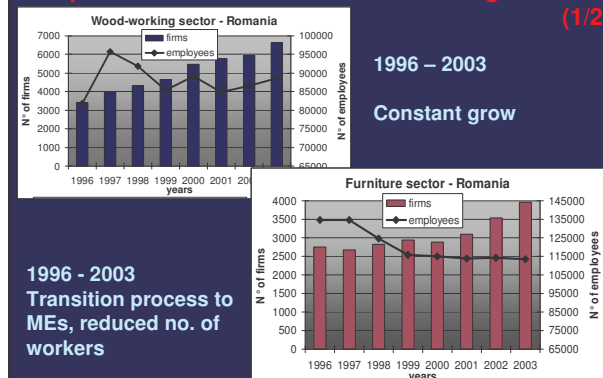
- production and employment levels in the wood working companies based in Italy;
- impacts on Romanian wood-working sector;
- changes in the organisational structure of industries operating in Italy;
- pressure on Romanian forest resources

A. Reduction of Italian wood-working capacity



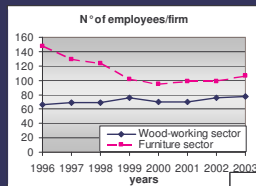
B. Impacts on the Romanian wood-working sector

(1/2)



B. Impacts on the Romanian wood-working sector

(2/2)

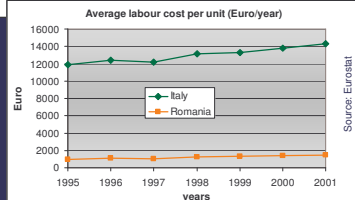


1996 - 2003
Transition process
to MES

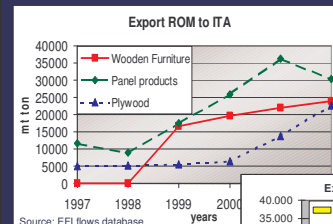
1995/2001 Labour costs

ITA: +20%
ROM: +48%

but still ITA/ROM = 10 to 1 !

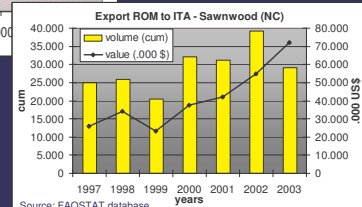


C. Specialisation of Italian wood processing activities



Maintenance of the
Made in Italy mark

Specialisation in
panel processing
(raw material & semi-
finished products)



Strong **substitution process** in the panel industry:
particleboard and MDF

pe
Pannello Ecologico

We save 10,000 trees a day

Home
Ecological Panel
Colours and Finishes
Ecological Furniture

ONE MAKES THE DIFFERENCE

Julia Hill
Licia
Coco

Together we have saved 10,000 trees

http://www.pannelloecologico.com

from forest residues to
wood working wastes
to recycling of final wood
products

D. Environmental Impacts

- Between 1990 and 2000, Romania lost 500 ha/year of forest (**0.01% year**)
- Forest degradation** is the main problem (3 national laws on forest restitution)
- Reduced availability of high quality-large diameter logs
→ companies start to import up to **30% of their supply from Ukraine**
- indirect (by *triangulation*) environmental impacts may affect also **tropical forests**



4. A case study: CSR of delocalised Italian companies in Romania

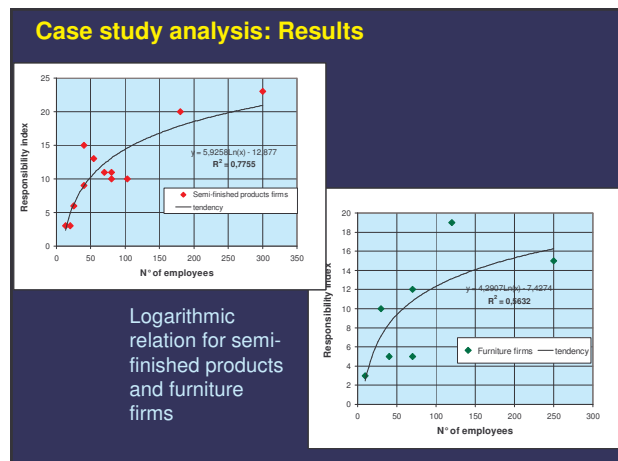
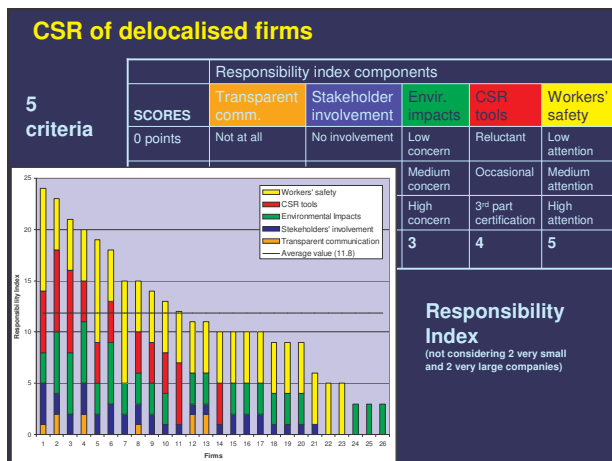


The case study

- 30 enterprises interviewed
 - 12 with less than 50 workers
 - 12 in the range of 50-200
 - 6 in the range of 200-500
- 10 in business in ROM for more than 10 years
- no new IDs

Product	Firms	Average n° of employees	Processed volumes (cum/year)
Furniture	11	80*	2,600
Panels	1	230	10,000
Flooring	4	197	10,333
Semi-finished products	12	84	9,700
Laminated beams	1	50	35,000
Timber trade	1	180	n.a.

*excluding two large companies (with 800 and 1400 employees each and a processing capacity of about 20,000 cum/year) not considered SME



5. CONCLUSIONS

SMEs sector has been remarkably affected by the internalisation process

- Main consequences of the SMEs internationalisation:
- ✓ The **ID** structure is **not reproduced** in the foreign country
 - ✓ In terms of **CSR initiatives**, SMEs tend in the foreign countries to assume the **same behaviour** as the in Italy (labour intensity seems not to be a pushing factor to adopt CSR initiatives)
 - ✓ There is a **relation between CSR level and size** of the company: with <100 employees very limited CSR initiatives
 - ✓ Companies that decide to adopt **higher level of CSR tools** (e.g. FSC CoC certification) **react to a specific request** of the market → the retail sectors and the final consumers are playing a key role (what about Russian consumers?)
 - ✓ **More attention** should be paid by public authorities and financial institutions **in supporting the process** of SMEs internationalisation in relation to social and environmental standards

