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The mission of the Journal of Multidisciplinary Research is to promote excellence in leadership
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significant empirical and conceptual research in the arts; humanities; applied, natural, and social
sciences; and other areas that tests, extends, or builds leadership theory.

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Editorial

A warm welcome to the spring edition of the Journal of Multidisciplinary Research (JMR). As we enter our fifth year, we continue to innovate and evolve as a research journal. My mission as an Editor-in-Chief is to maintain, sustain, and ensure our growth and innovation as a research journal. As proud as I am of our achievements, we should never forget the journal’s success is made up of hundreds of people, deeds, and words. As George Adams once said, “There is no such thing as a ‘self-made’ man. We are made up of thousands of others.”

Last year, we saw an increase in volume and in quality of submissions from top universities around the globe, and we had an acceptance rate of 22%. As a result, starting this year, we are going to publish quarterly. This will benefit authors and contribute to our journal ranking. Also, a guest editor will edit one of our issues – to provide a venue for major talent, enhance our status, increase academic exposure, and facilitate exchange of ideas. This coming year, we also will increase international participation on our Editorial Review Board and increase our connection to the business world by appointing reviewers from the business community with substantial publishing experience. As we strive to publish substantive and best multidisciplinary research from around the world, we are open to any topic and research methods, and we will strive to create a truly global journal.

This edition features thought-provoking articles from the Zefat Academic College, Florida International University, California State University, the University of Kentucky, the University of Rome, the University of Sassari, and the University of South Africa. This issue of the Journal of Multidisciplinary Research (Volume 5, Number 1) also contains student articles from Turkey and the United States in the “Student Corner,” two book reviews, and a “Life Forward” section featuring an interesting interview with the Honorable Arnold J. Nicholson, Q.C., Jamaican Minister of Foreign Affairs and Foreign Trade.

As we begin a new year, we start with much vigor as we continue to innovate and grow as a research journal.

Onward,

Hagai Gringarten
Editor-in-Chief
Journal of Multidisciplinary Research
Sustainability in Business Practice:
How Competitiveness is Changing in Europe

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Abstract

The Lisbon Strategy (2000, 2009a), Gothenburg Strategy (2001), and now, the New Territorial Agenda 2011 and Europe Strategy towards 2020 represent the framework of new regional business in Europe, re-addressing the regional enterprises and regions’ goals to valorize the territorial potential capability to be competitive in sustainability, starting from the increase of co-operation and cohesion (V Cohesion Report, 2010).

The article aims to investigate and measure how sustainability is helping regional business to change its productive behavior toward a new “competitiveness capability,” including a vision of territorial cohesion. This requires the adoption of innovative spatial enterprise models, such as STeMA, able to manage new strategic pillars of European Union (EU) development: smart growth, sustainability, social – and employment – inclusion (Prezioso, 2010).

The article illustrates how, looking at the Europe2020 Strategy and Rio+20 perspectives, the conversion of endogenous productive resources in social, economic, and territorial development business opportunities require the development of new regional organisation patterns of local production.

Keywords
sustainability, competitiveness, territorial cohesion, Europe2020 strategy, productive organisation

Short Background of Questions

In previous decades, the European Union (EU) fixed sustainability and cohesion as ground bases for competiveness. After a lengthy debate (Porter, 1990, 1996; Den Butter, Verbruggen, 1994; Toman, 1994; Prezioso, 1996; O’Hara, 1997; Storper, 1997; Pearce, 1998;
Prezioso, Renzetti, 1999), the EU underlines competitiveness and sustainability as typical economic and entrepreneurial concepts, lacking a unique address for the enterprises’ behaviour (Kok, 2004). However, since 2002, the European Commission (EC) gives to the competitiveness concept a new sense, which differs from the similar existing concepts in which domestic factors have a dominant role (Krugman, 1995; Kok, 2004). The EU recognises territorial diversity and sustainable development as important characteristics of the economic growth in global competition (ESPON Programme 2006 and 2013), able to generate positive reactions to the impacts and effects of the economic crisis.

Recently, sustainability and cohesion are reinforcing the concept of European competitiveness, including more and more territorial dimensions in the creation of a new, balanced economic growth (Europe 2020 Strategy, European Commission, 2010). The practice of planning economic activities requires new targets and standards (quality, carbon footprint, supply chain, enterprise network, energy efficiency, corporate social responsibility, safety, etc.) (Barca, 2009; European Council, 2010; Prezioso, 2010).

Theoretical studies of territorial business actions focus on engaging solutions for several policies: Energy, Climate Change, Demography, Global Economic Competition, Accessibility, Health, Social inclusion, Urban-Rural, etc.; the integration of these policies within the enterprises’ behavior is fundamental to re-launch European competitiveness during and after the crisis.

In order to change the relative economic policy paradigm, it is necessary for European firms to consider new and more complex practices. These take into account specific characteristics of the regional dimensions of production (social, cultural, economic, technological, and so on), contributing to form the territorial capital. The question is how to harmonize dimensions from the territorial and the business point of view at different geographical scales looking for the diversity of national-regional legislations and the EU Directives goals: smart growth, sustainability, and social inclusion (Europe 2020 Strategy).

**Main External Factors Influencing the Territorial Competitiveness of Enterprises**

In the 1970s, internal factors that generated external economies of scale (industrialisation, agglomeration, urbanisation) emerged as drivers for business competitiveness. Some elements became sources of competitive advantage: the relative position of the production site, the presence of similar competing firms in a national market to share the cost of services, the existing infrastructural endowment (primary and secondary urbanisation) (Prezioso, 1996, 2001), the type of corporate culture, the local governance (Farinos, 2007; Prezioso, 2008a), the level of the population’s reception and involvement in the employment process. The resulting degree of efficiency made it possible to achieve broader economic objectives, such as availability of skilled labour, adequate levels of technology, speed of information, proximity to market, and reduction in procurement costs (Prezioso, 2007).

In a short time, these elements integrated localisation’s factors and, working as a “system” (Prezioso, 2001), have acted as an intermediate output for the creation of co-operation in business systems that may generate a ‘climate’ of mutual confidence (milieu) in several EU regions.

Business competitiveness becomes a multi-disciplinary concept (Prezioso, 2007) in relation to traditional factors and new territorial external factors such as knowledge, innovation,
and specialisation effects. In addition, new external factors (Prezioso, 2001, 2007) complete territorial economies of scale: territorial attractiveness; continuous qualitative improvement; cultural and social heritage valorisation; sustainable use of resources (natural, economic, social); and preventive assessment of policies, programmes, and projects.

The Europe 2013 structural policies toward 2020 (Climate Change, Energy, Natural, Human and Technological Risks, Rio + 20 etc.) are measuring the regional capability to include all these aspects to renew the Lisbon-Gothenburg strategies application, stressing a cohesive, polycentric, and co-operative territorial development as a fundamental goal of the national and regional policy, and a key-base of competitiveness in sustainability.

Now the terms of Territorial Competitiveness in Sustainability for EU enterprises embrace the following issues (Prezioso, 2007):

- regional competitiveness factors should include issues such as innovation, information and communication technologies (ICT), and environmental protection;
- the regional and national territory cannot be treated as an undifferentiated space of the social and economic action, but rather as a physical place to measure and monitor the territorial capability of competitiveness;
- the territory becomes a parameter to measure virtuous solutions supporting the regional entrepreneurial structure, in terms of environmental sustainability, improvement of cohesion and integration between different territorial actors (whether institutional or not);
- some management skills (components) capable of guaranteeing territorial competitiveness are needed: awareness of innovative capacity, organisation in networks, capacity to integrate the different sectors and levels of activities, to cooperate in and with other territories, to involve different public and private subjects and institutions, to have both a global, coherent vision, while respecting the use of local resources, and to organise international, European, national, and regional policies from a subsidiary point of view;
- market concurrence has to be sustained through those endogenous factors that differentiate the territorial whole/system (a mix of social, cultural, environmental, economic indicators influencing the regional ranking within Europe and in the international context);
- some low-cost raw materials have to be introduced in entrepreneurial vital and innovative factors within a stable social context;
- market competition has to take into account environmental, social, cultural, and economic sustainability;
- confidence in internal co-operation happens between different subjects/actors and the Communitarian level, with regards to environmental protection and development.

The Added Value of Sustainability for Firms in the Competitive Global Market

The set of relationships between productive organisations and the territorial system has changed the enterprises’ approach to the environment question (Prezioso, 2010). From the point of view of services at local (or district) level, the environment is (i) a source of benefits and
positive externalities for firms, (ii) a (direct and indirect) competitive advantage, and (iii) an endogenous variable of the business activity to include in the industrial production process. Hence, to support the business competitiveness needs to internalize the environment and to transform it in compliance because it has now become a priority for European policy (Climate Change, Energy, Natural, Human, and Technological Risks, Rio + 20 and so on).

This goal of sustainable development (Barca, 2009; European Council, 2010; Prezioso, 2007, 2008b, 2010) is to find suitable solutions, compatible with the needs of the business development and the territorial system, reducing impact from the evolution of the EU policy. Opposite to common thought, investing in sustainability represents a huge source of income for all the organisations able to move into new markets of sustainable products, and flexible and dynamic processes with considerable flexibility and dynamism.

The right balance between environmental protection and economic growth defines environmental quality as a means to obtain benefits through the internalisation of sustainability into the fundamental logic of production (Prezioso, 1996). In fact, it means not only an increase of the business size (growth) but also a balanced and progressive growth over time (development).

The growth of environmental quality and firms in business are inversely proportional. The point of balance occurs when environmental quality decreases without exceeding the limit of sustainability, while ensuring a growth in business quality.

In the local productive systems, this defines how the local environmental dimension within the enterprises can operate in order to be sustainable (Figure 1).

Figure 1. Environmental Quality dimension (Prezioso, 2001)
Of course, an Environmental Management System (EMS) based on Total Quality Environmental Management (TQEM) (Prezioso, 1996, 2001) and supply chain logic should integrate the assessment of environmental and territorial management measures.

Consequently, having internalised environmental sustainability, firms need to find new external economies of scale. This can happen only by changing, or replacing, the localization factors of traditional agglomeration models. Smith (1776) calculated how firms localise themselves to achieve economies of agglomeration (space-cost curve), considering prices of goods as fixed, and varying total costs of transportation. Localization choices depend on the distance (and its costs) in relation to the specific places that present suitable conditions for settlement (capital, labour, material source, market).

The curve changes if we introduce sustainability as a new relevant factor for enterprise localization, in addition to firms, structures, and infrastructures.

However, considering that more than 90% of European enterprises are small-medium and micro firms, new environmental costs cannot be sustainable (Jørgensen, Prezioso et al., 2006). Empirical observations (Lennert, 2006) justify, also at a territorial level, that a single firm cannot satisfy the requirements of productive sustainability on its own, but environmental management can be fully effective only with regard to territorial systems of integrated firms. In fact, localization costs are very high in the first phases of the environment management of production, but they decrease in time, especially in relation to the number of firms that participate in this activity in an agglomerative way. The consequence is a positive change in selling prices (to grant the products environmental care), but also their decrease in the long term, in relation to the higher number of firms that pay the common costs for environmental management.

Of course, reconsidering Smith’s model, the price is not fix because the new policies influences the price. The right dimension of the sustainability area is the optimum one suitable to bear environmental costs and responsibilities, near to the economic vantages of production growth (Figure 2).

Figure 2. Industrial localization for sustainable production (Prezioso, 2001)
The profit area represent the concentration of a number of firms able to obtain positive external economies of production, in order to allow economic efficiency and reintegration of costs. Only the smaller area identifies a sustainable situation, but not an optimum state by an economic point of view, because it allows the integration of environmental needs with the ones of production, even if with some renunciation. The costs change in relation to the agglomeration economies and diseconomies, while prices increase, because of the initial costs of localization in the area; after a period of stability, the cost decrease because of the agglomeration advantages function of the dimension of the agglomeration (non capiscoilsenso) and cause an improvement of the economic efficiency. The spatial margins of profit $M'$ and $M'''$ represents the suitable firm’s localization (according to Smith).

While the sustainability area ($M'' - M''''$) is smaller because of the necessity to reach that agglomeration dimension able to create some particular external economies for environmental management that allow the decrease of selling prices.

_Toward New Localisation Factors: The Revision of Porter’s Diamond by STeMA_

In order to adapt the production systems to the new EU competition parameters, a strategic integration of the Porter contribution (1990, 1996) is fundamental. Porter already paid attention to the importance of the territorial dimension in firm development as well as on the local dimension where the enterprise is located: Competitive advantage can live both in the territory and in the single enterprise (Porter, 1990).

Nevertheless, Porter denies the hypothesis of mutual extraneousness between enterprise and territory: the territory-environment is no more an objective data, but rather the “product” of the strategic action of the enterprise.

The generation of economic value requires co-ordination of all activities to produce a competitive advantage in force of their complementary attitude. Therefore, regional business competition does not appear among single enterprises, but rather among alternative value chains. Porter asserts that competitive advantage depends on the internal factors of the enterprises and the territory where the enterprises are located. The interaction with the local systems and their actors does not have to separate the research of competitive advantage.

This assertion leads to the main issue of the new concept of territorial competitiveness: If a localized process achieves and maintains the advantage, the reasons for the success of some firms must be found in the localized contexts (regions) where they operate.

The ability of an enterprise to innovate and grow does not depend only on the four characteristics of the territory (the famous “diamond”): strategic localization, local demand, integration with regional cluster, human resources, but also on what Amartya Sen calls “capabilities” (2002), and Europe2020, “potential diversity” (2010): innovation and research, global-local interaction, quality (process, environment, production, service), efficient use of resources and funds (Prezioso, 2007), implementing the Porter’s Diamond (Figure 3):
After accepting sustainability, firms strengthen ties, connections, and sharing of common services (information systems, real services), creating their own territorial capital. Initially, the OECD in its *Territorial Outlook* (OECD, 2001) proposed the territorial capital and the entrepreneurship capital in a regional policy context, and recently, the DG Regio of the Commission of the European Union has reiterated the following: “Each region has a specific ‘territorial capital’ that is distinct from that of other areas and generates a higher return for specific kinds of investments than for others, as these are better suited to the area and use its assets and potential more effectively. Territorial development policies (policies with a territorial approach to development) should first and foremost help areas to develop their territorial capital” (European Commission, 2005, p. 1; Camagni, 2008; Monfort, 2011).

Management of territorial capital knowledge is a strategic success factor for the innovation and growth of regions and enterprises. Economic growth is the result of crossed capacities and interactive learning processes in contexts like cities or industrial districts, with a plurality of agents.

Elements making up a region’s territorial capital are now divided into (a) structural characteristics and (b) characteristics associated with its territorial position (Camagni, 2008). These elements represent a localised set of common goods, producing indivisible collective assets. They cannot be private, and they include cultural, historical, and environmental heritage as specific and characteristic components of places. Key factors for developing the territorial capital of enterprises (Camagni, 2008) begin with the following:

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**Figure 3. The integrated Porter’s Diamond Model (Prezioso, 2007)**

The Territorial Capital for the Enterprises’ Local System and Networks

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• Social, environmental, economic, and cultural contexts as well as the favourable territorial preconditions for implementing territorial governance actions (institutional confidence, innovative milieu, etc.).

• Policies to describe the institutional framework of territorial policies, instruments, and procedures for governance (i.e., the “governing” of governance).

• Territorial governance actions, defined as the experiences, projects, programmes, etc., that need or stimulate a territorial governance approach, evaluating interconnected governance processes and results, at different levels.

• ICT as a whole of services concentrated in the urban areas and metropolitan agglomerations with different levels of accessibility and availability.

The role services of general interest (ESPON SeGI project, 2011) and their full exploitation in urbanised regions play is a source of attraction and localisation of direct investments.

Since the end of the 1980s, the literature of growth launched specific planning actions in order to accelerate business development in regions lagging behind. The improvement of human capital (Lucas, 1988) and the development of public infrastructures, such as transport, seemed to be able to increase the marginal product of private capital, fostering capital accumulation and growth (Aschauer, 1989; Barro, 1990).

This was the economic geographic point of view as well as the business one: New transportation infrastructures seemed to increase accessibility, new opportunities of firms’ location and, in this way, the attractiveness of regions and employment (Martin & Rogers, 1995; Vickerman, 1996; Venables & Gasiorek, 1999; Martin, 2005; Puga, 1999).

Now, we know there is not a linear increase or decrease between firms and regional infrastructural development. As some authors (Bryant & Preston, 1990) anticipated, it is better to focus on questions of equity in the recruiting plans of industries and residents, and to promote small and family businesses for job creation, a broader tax base, and growth and development to sustain the community’s quality of life and vitality.

At the regional scale, this approach cannot count on the same adjustment mechanisms, or on the completely independent fiscal systems at the national level. For instance, such factors as ‘knowledge and innovations,’ one of the Lisbon’s policies, as well as of Europe2020, express all their criticality only at the regional level, where it is possible to evaluate their differences and changes in time and space (Prezioso, 2007, 2011).

The results of this revision suggest the assessment of territorial competitiveness (Prezioso, 2007) as linked to sustainability and cohesion, from the externalities and internalities point of views (external and internal cooperative economies of scale).

Further, Europe2020 (European Commission, 2010a) develops the dissemination of intelligent networks using ICT, suggesting to exploit network advantages at the transnational scale and increase the competitive gains of firms, especially in the manufacturing industry and SMEs, providing assistance to consumers to evaluate the efficiency of production.

This orientation needs to consider the "emission 0" policy and resource constraints as well as environmental degradation, biodiversity, and the sustainable use of resources, economic strengthening, and social and territorial cohesion (European Commission, 2010b). The bottom-
up approach is useful, particularly if it focuses on local entrepreneurship, by which endogenous factors provide the necessary condition for growth. In stressing the cooperative role of firms and institutions, the bottom-up approach seeks to broaden community involvement in regional development that values local participation and input in terms of action, policies, and institutions (i.e., the UK approach).

How Territorial Governance Combines Real Economy and Business Management with Competitiveness and Sustainability

In the traditional development model of local business, the development represents the stimulation and retention of business and employment through its export-base and other engines of the economy. In the competitive and sustainable models, the articulation and nature of local economic development often reflects the adoption of strategies and initiatives in local communities.

The territorial governance of firms and for firms allows the free unfolding of local competitive potential. Shared projects and rules along with the ability of the institutions (public and private) can enhance the creation of a “polycentric network” and the identification of the necessary skills and resources to be competitive in sustainability.

Thus, governance, and its set of rules, helps to use and develop a common milieu (including local sustainable solutions) that allows the achievement of strategic objectives and the transfer of the choices of political-institutional and corporate actions to firms and territory, setting-up a shared model of compliance.

Territorial governance is able to transfer, at a local level, the relations among board (public institutions), management (administrative-management system), shareholders (citizens), clients (employees – business and citizens), and stakeholders (interest holders). Although not always pursuing the same goals, they all aim to enhance external scale economies (urban scope economies), economic relations, stability and reliability of markets, and international investment flows (Prezioso, 2008a).

Since 2007, governance contributes to enhance different territorial contexts, assessing ex-ante their degree of cohesion with respect to competitiveness, assuring stability (static approach inside the countries), convergence (dynamic-comparative approach among indicators), enhancement of general quality of life for the European population, and positive regional performance in terms of employment, income, and productivity, into a single word: capability.

Territorial and enterprise governance has a special prominence in a context where the capability to be competitive in different areas and territories increasingly depends, besides the agglomerations processes over time, on the ability to exploit existing resources and competences through an adequate use of networking.

The European Union recognises, in its 2020 political orientation, the need for firms to adapt as much as possible to rules aiming at promoting sustainability in all its forms in order to build an economic and social model more suited to combining productivity and social cohesion with sustainability (United Nations, 2012).

Only since 1992 (Carvallo & Smith, 1992), firms actually face the issue of sustainability, and the closely related idea of competitiveness, causing a shift in the business world of tangible factors – such as allocation of resources, labour costs, plants and equipment, etc. – and intangible
assets as, for example, knowledge creation, exchange of know-how, economies of proximity, relations with the institutions, and opportunities of new systems of local governance.

The growing importance that firms give to the idea of sustainability as a strategic and localization factor induces the local production systems to invest in this direction, leading to the determination of a territorial development model based on the endogenous potential and measured in terms of sustainability.

Territorial development and territorial competitiveness have a strong link with firms’ behavior and they produce interdependencies. The combination of these factors creates the regional competitiveness shown by the “pyramidal” model of “regional competitiveness” (Martin, 2005) (Figure 4), whereby, it is possible to separately analyse the resources of competitiveness (or “competitiveness revealed”), and the results-targets, especially in terms of improvement of the quality of life.


The EU developed the “Europe 2020” Strategy to surpass the crisis and reposition of Europe among the poles of the world economy, suggesting three lines of prior investment that mutually reinforcing the Europe 2020 pillars and their usefulness for business:
1. Smart growth: developing an economy based on knowledge and innovation, improving quality of education, strengthening research, and promoting innovation and the transfer of knowledge throughout the EU, so that innovative ideas are transformed into new services that stimulate growth, creating quality jobs and contributing to address the challenges of European and global society.

2. Sustainable growth: promoting a more efficient economy in terms of resources that is more eco-friendly and competitive.

3. Inclusive growth: promoting an economy with a high rate of employment that favours social and territorial cohesion. (European Commission, 2010a)

With regard to regional policy for new European globalised entrepreneurship, cohesion is the main goal of a territorial behaviour’s scale. Through different marks, indicators are possible to measure the cohesion. Sometimes, these indicators are not related to time series of data, thus, creating a wide gap between empirical experiences at the local scale and in regional territorial policies. Otherwise, many studies considered cohesion separately from the subsidiary relation (multilevel governance), or with regard to the increase and decrease of other phenomena: the labour market, social disease, marginalization and social exclusion, explosion and diversification of mobility-accessibility, and urban and territorial regulation and regeneration.

Therefore, regional business cohesion depends on the transformation of original productive localisms into local productive systems in many European regions (i.e., Denmark, Netherlands, Belgium, Germany, and France).

Regional diversity sustains this transformation capability by the following:

1. increasing competition at an international level;
2. growth processes of de-localized production; and
3. an inclination toward faster innovation of process, product, and organization as a result of new technologies.

In this way, cohesion’s territorial dimension is always a local collective interest and the respect of governance rules.

Where local cohesion is stable for at least a decade (as in peri-urban areas), business environment values are more lasting, in addition to chances for endogenous investments beyond the city (as in Italy’s North-East). When cohesion’s attraction fades, productive phenomena appear as quality loss, lack of functionality, and the rejection of pursuing exogenous economic objectives.

Several regional behaviors represent and measure the business cohesion (European Commission, 2010a) where sufficient intra-border, trans-border, or both, integration and inter-dependence directly influence economic and social life. These highlight regional business macro-economic and infrastructural features as well as their capability in achieving local integration.

Cohesive regions receive and produce great flows toward urban and productive centers by organizing their daily directionality, as in the Swiss Cantons and some regions of the Netherlands, and in linear transit in trans-border cases.

From this perspective, cohesion is also a bottom-up variable of global business competition among internationalised territories, where business concentration creates hierarchies
among enterprises and enterprise networks, which are important to understand how territories
can turn themselves into active subjects of development.

Short Remarks on Sustainability and Cohesion to Arrange Business Growth Toward 2020

Sustainability and cohesion in business practice to re-launch competitive enterprises is a
need that has emerged strongly in Europe, in an effort to address the effects of the global crisis in
Europe2020's goals.
From the territorial point of view, and in the European vision, it means pursuing the
development of endogenous regional productive models able to progressively increase the
participation of the enterprise systems and networks toward new generations of development.
Discussing the impacts of the European policy on the enterprise systems in the last
decade, it already is clear how policy effects may have irreparably modified the enterprise network
relationships (socio-functional, interrelated, and cohesive). These European choices suggested to
include the territorial dimension in the business addresses for growth by the intra and inter-
regional cooperation: The objective is to search new forms of balanced growth by assuming a
polycentric organization (European Commission, 2010b). This influences both the European
enterprise perspective and territorial development.
The territorialized performance of enterprise systems and networks, their values, and their
behaviors should look at these parameters, and with regard to specific European territorial
typologies, using sustainable methodologies. STeMA is a possibility for creating a geo-economic-
territorial trend model to receive the territorial effects of the European policy on the re-launch of
the enterprise systems and networks, based on the European SMFs Chart and the Europe 2020
Strategy.

References


About the Authors

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Discussion Questions

1. What is the relation between enterprises and sustainable development?

2. What is the added value of sustainability for firms in the competitive glo-local market?

3. How can the new competitiveness determinants integrate with traditional localisation factors?

4. Can we consider the territorial capital and capability of the cohesive point between enterprise choice and political choice?

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