**Business Clusters: A Way to Create Shared Economic and Social Value? A Case Study of a Food and Drink Small to Medium Sized Enterprise Cluster in England.**

**final Doctorate of Philosphy thesis SUbmitted by Darla Dore, in Management Studies at Royal Holloway, university of London, Great Britain**

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**Abstract**

This case study is of a small to medium sized enterprise (SME) food and drink cluster in England, referred to as the South Midlands Food and Drink Group (SMFDG), for reasons of confidentiality. Porter and Kramer (2011) suggest that shared economic and social value, referring to it as ‘creating shared value’ (CSV), is created by identifying and addressing social problems that can provide their business with economic benefits simultaneously, creating measurable business value using this management strategy. It is proposed here that while this may be an effective strategy for larger corporations and their supplier clusters, it is not a business plan practiced or necessarily practical for SMEs or SME-based clusters not associated strongly with larger corporations and supply chains. Rather, shared value is created between themselves, and the importance they place on supporting one another and their communities. The SMFDG is a purposefully formed grassroots cluster organisation primarily comprising of SMEs, and primarily small stockists, eating venues and food and/or drink producers.

Specifically, this study challenges Porter’s and Kramer’s notion that clustering can create shared economic and social value by using empirical data to determine if clusters can create economic and social value simultaneously. To differentiate this concept from CSV, the “cluster shared value” (CLSV) framework is introduced and investigates clusters using the theoretical lens of communities of practice. The CLSV framework led to the subsequent development of the original theoretical contribution, namely “clusters of practice”, acronymised as CLoPs, based on this empirical data. Fieldwork was conducted with 32 SMEs, larger firms and partnering institutions of the SMFDG, primarily on businesses’ sites in the form of semi-structured interviews and included participant observation of related events and meetings. Coding was done first manually and then using NVivo software. Four themes emerged from the data as mechanisms of economic and/or social value creation: business collaborations, attitudes towards competition, industrial upgrading, and community identity and pride. These themes were analysed alongside CLoP theory to create a cohesive discussion of the social and economic outcomes of the cluster and the CLSV framework for clusters to create economic and social shared value.

Results indicate that SME clustering can create economic and social benefits for SMFDG members and their communities but not in the way CSV conceptualises. The analysis indicates that the SMFDG operates as a CLoP, and SME clusters create economic and social value but often indirectly and not simultaneously. Future research directions may involve looking at organically formed clusters, temporary clusters and policy implications. Negative outcomes for an SME cluster are also considered.

**Acronyms**

As a guide, please find attached a list of relevant acronyms for subjects, concepts and theories addressed in this study, as reiterated with their full names or their abbreviations throughout:

Clusters of Practice – CLoPs (or alternately, in singular, CLoP theory)

Cluster Shared Value - CLSV

Communities of Practice – CoPs (or alternately, in singular, CoP theory)

Corporate Financial Performance – CFP

Corporate Social Performance - CSP

Corporate Social Responsibility - CSR

Creating Shared Value – CSV

Local Enterprise Partnerships – LEPs

Multi-National Corporations – MNCs

Non-Governmental Organisations - NGOs

Small to Medium Sized Enterprises – SMEs

South Midlands Food and Drink Group – SMFDG

United Kingdom – UK

# Chapter One: Introduction

**1.0 Introduction to the Study**

 This study aims to explore the phenomenon of the business cluster concept and its relation to shared economic and social value creation in small to medium sized enterprise (SME) clusters. From a personal perspective (please note the researcher will write in the first person for the first two paragraphs of this study), I have strong links to SMEs in my home country and more specifically in my hometown of Hamilton, Ontario, Canada. My family has long been involved in real estate developments that deal directly with SME tenants and I have several friends who own them as well. I have first-hand witnessed their struggles and seen some not survive while others have flourished; my hometown was very grievously affected by the financial crises in the early 1990s and from 2008 until more recent times. Many industries collapsed, in particular the long-thriving steel industry, leading to a growing rise in unemployment and homelessness in the city. Despite this, and particularly since 2008, several SME clusters have developed in a wide range of sectors, from antique, textile, farmers’ markets related to agriculture, cultural arts and food and drink, as examples. The food and drink sector appealed to me more than others, as I worked in the industry for years myself, either in employment related roles or in a property management capacity. I am consistently pleased whenever I return to Hamilton that their SME clusters are doing better economically as compared to my previous visit, and further impressed by their commitments to the residents, their communities, and social causes. Thus, from a business perspective, these SME clusters have had a positive impact on the local economy post-recession. However, it is their connection to local communities that inspired me to study shared economic and social value creation in SME clusters. Their active engagement in my hometown to social causes, especially in binding together during difficult periods for the community (e.g. the death of a local resident or a riot in their district) and with each other, supporting their businesses by buying locally, from one another, inspired the focus of this study.

When reading the 2011 Harvard Business Review Article, *The Big Idea: Creating Shared Value* by management scholars Michael E. Porter and Mark R. Kramer, coining the phrase “creating shared value” (CSV) and identifying clustering as a way in which to do so, I decided to form that as the basis for this study for an SME cluster and to question: can an SME cluster create shared value and if so, how? Please note that from now I will be using the third person as these paragraphs are meant to illustrate my personal motivation to embark on this study, with the exception of section 4.4 in Chapter Three on my own philosophical views and reflexivity, and in the final concluding paragraph to this study in section 8.3 in Chapter Eight on future research directions I wish to explore.

CSV is defined by Porter and Kramer (2011) as the process by which businesses may enhance their competitiveness through policies and practices that simultaneously creates economic benefits for firms and societal benefits in the communities they operate. They propose that CSV may occur in three ways: reconceiving products and markets, redefining productivity in the value chain and business clustering. Although not explicitly recognized by Porter and Kramer (2011), the CSV concept has its roots in strategic CSR theory, which will be considered further throughout this thesis.

Further, there is scant empirical data to support the CSV concept, and a lack of theoretical grounding, particularly with regards to small to medium enterprise clusters. Porter and Kramer have chosen to focus their examples on their own consulting work with multi-national corporations (MNCs) and how their strategically chosen social initiatives can create the greatest economic value for themselves and, in turn, social value simultaneously for their supplier clusters. These examples do not consider SME clusters that share a complimentary industry but are not operating in the same specialties (e.g. agricultural/farming) that do not rely on MNCs or larger firms to create shared value, an identified gap in methodology that is considered in this study. These topics will further be explored in Chapter Two’s critiques of CSV, subsequent analyses in Chapters Five and Six and the discussion in Chapter Eight. This case study seeks to understand if SME clustering specifically can lead to shared economic and social value creation through the newly developed theoretical framework of “clusters of practice” or CLoP theory, as an adaptation of the sociological theory “communities of practice” or CoP theory as developed by Wenger and Lave (1990) and built on by Wenger (1998), leading to “cluster shared value” (CLSV). Justification for choosing CoP theory can be found in section 3.3 of Chapter Three, wherein the proposed initial framework for CLSV is introduced.

Further, when operating as a CLoP to create CLSV, four mechanisms of shared social and economic value creation emerged from the empirical data, as addressed in the Chapter Five’s analysis. Specifically, these mechanisms are identified here as community identity and pride, attitudes towards competition (and how they vary), collaboration, and industrial upgrading and/or expansion. Unlike in CSV concept, which proposes to create direct economic value through purposefully chosen social initiatives, the opposite was found to occur among the SME members of the South Midlands Food and Drink Group (SMFDG), referred to as such for reasons of confidentiality. The SMFDG is a purposefully created cluster-based organisation that forms the basis of this study, which will be addressed in detail of section 1.3’s case study context of this introductory chapter. Indirect economic value creation can indirectly create social value creation, and vice versa, it was found; SMEs simply do not have the time to incorporate social value creation into their strategic plans given their struggles they may encounter to survive as a business (e.g. financial, time and labour constraints). It was also found, however, that all participants viewed social value creation as important, particularly as they operate in the communities that they often live in themselves. The newly developed contribution to knowledge – specifically, that of CLoP theory - fills a theoretical gap in the understanding of shared economic social and economic value in clustering and introduces a departure from conventional CoP theory.

Notably, applications of the CLSV framework could, using the lens of CLoP theory, also have policy implications for local enterprise partnerships (LEPs) in the United Kingdom (UK), governments, council bodies, cluster-based institutions and related bodies as it provides an unambiguous, unmalleable way to create cluster shared value. The prevalence of SME clusters in the developing and developed world – estimated to be in the 1000s (AccountAbility, 2006) – could use the CLSV framework to create shared value, further justifying this study This runs contrary to current policies, when using Porter’s definition, wherein the failure of a cluster initiative may be framed to be the fault of the cluster’s businesses, as will be discussed in the conclusion chapter (Martin and Sunley, 2003).

As aforementioned, the context for this case study is a purposefully formed cluster-based food and drink organisation in England, the SMFDG. It is formed of like-minded members whose primary goal is to support local food and drink businesses. Semi-structured interviews were conducted with 27 small firms and five partnering institutions associated with the organisation to determine its social and economic impacts on the region and explores whether and how CLSV occurs. In addition, participant observation at various events was conducted to further understand how value is created between members of the SMFDG. Both the interview process and participant observation will be addressed in Chapter Three’s methodology, with specific reference to sections 4.7.1 and 4.7.2.

While the potential of industrial agglomerations to contribute to regional economic development has long been documented in the literature, it is Porter’s definition of clusters that dominates both literature and practice. First appearing in his seminal 1990 book, *On Competition*, Porter defines clusters as:

“Geographic concentrations of interconnected companies, specialised suppliers, service providers, firms in related industries, and associated institutions (for example, universities, standards agencies, and trade associations) in particular fields that compete but also co-operate”. (1990: 199)

Aligned with the SMFDG and this study’s focus on a purposefully formed SME cluster-based organisation, it is argued here that shared value creation from clustering can potentially occur when having a positive social impact and regional economic benefit is part of their focus and when the cluster recognises themselves as a cluster with this intention. Thus, management scholars Anders Malmberg and Dominic Power’s (2006) criterion of clusters will be used for this case study to contribute a more concise conceptual contribution to clusters, departing from the vagueness and ambiguity commonly associated with the term, an issue addressed further throughout the study:

“There should be a spatial agglomeration of similar and related economic activity; these activities should be interlinked by relations and interactions of local collaboration and competition; there should be some form of self-awareness among the cluster participants and some joint policy action (“we are a cluster and we are determined to develop together”); the cluster should be, in one way or another, successful (innovative, competitive)”. (Malmberg and Power, 2006: 57)

They go on to say the first three criteria are critical and must at the minimum be met. Further, this definition represents a departure from the term “network”. The term network is mentioned within the scope of many cluster definitions including Porter’s own writings or treated as a separate concept from clusters, creating confusion in conceptual clarity (Martin and Sunley, 2003). The focus on relationships and interactions, away from this terminology, provides a more accurate description of the fluid dynamics that exist between cluster members when considering CLoP theory. The SMFDG operates in this manner and represents a community of individuals who often participate collaboratively and jointly to strengthen support for the food and drink sector, as will be discussed in the following case study context of this chapter.

To that end, it is pertinent to summarise clearly the purpose, gap and original contributions to knowledge this study has makes from a theoretically to how economic and social shared value it created in a cluster, to the cluster concept itself, as well as identifying empirical and methodological gaps it fills overall.

Methodologically, while the approaches used were not original novel contributions (e.g. the single case study approach, semi-structured interviews and participant observation), applying CoP theory to the data represents a different approach than those used in the past (e.g social capital or institutional theories). Empirically, the gap filled here is represented by the fact that Porter and Kramer (2011) do not directly go to SME sites directly to understand if CSV is *actually* occurring in the supplier clusters of multi-national corporations. The opposite is the case in this study; the researcher conducted all except one of the SME interviews on site. It is important to note as well that the SMFDG cluster is a purposefully formed cluster organisation, representing a conceptual and policy contribution, discussed below.

The conceptual contribution to the cluster concept can be related to how clusters are defined at the policy, institutional and business level, leading to the creations shared economic and social value. The number of definitions since the early 1990s, as discussed extensively in Chapter Two’s literature review make it vague and malleable for policy makers (e.g. they can blame the success of cluster on themselves or alternately, its failure on the cluster itself). Through using Malmberg and Power’s (2006) definition of clusters, the conceptual contribution to the cluster concept is used to illustrate is group of regionally proximal businesses that are self-aware and determined to develop together, with common goals. Their definition represents a more clearly, concise way of conceptualising clusters for policy makers and related bodies overall. This definition also aligns with the core tenets of CoP theory, as it implies that cluster actors engage mutually and beneficially to create a shared repertoire of knowledge in meeting their goals or shared pursuits, whether it be at a grassroots or policy level, leading to CLSV.

 Two significant theoretical contributions arose from this study, overall. Firstly, the newly introduced CLSV concept represents a clearer, more thoroughly, theoretically grounded concept in contrast to CSV through using the contribution of CLoP theory, an adaptation of CoP theory. As aforementioned, CSV is lacking in theoretical and empirical groundings; it does not provide an effective way, at the policy or grassroots level, to ascertain if shared economic and social value is being created. CSV focuses on the relationship of SME clusters with larger MNCs, not those reliant on larger corporations to create social value. The SMFDG is the opposite; they rely on its members to create this value, between themselves, further enhancing the potential policy contributions CLSV may have. The second theoretical contribution, tied to the newly introduced theoretical concept of CLoP as aligned with the second research question of whether clusters can be considered a CoP or an adaptation(Othereof, relates to how CLSV as a departure from CSV can be considered a more effective way when applied to SME clusters.

 While the overall purpose of this study is to shed light on how shared economic and social value can be created within an SME cluster, using the CLSV framework as a guide through the lens of CLoP theory, it is pertinent now to discuss the contexts in which this study is based upon, in the UK and in the SMFDG itself..

## **1.2 Clusters in the Context of the United Kingdom**

Policies encouraging the development of regional clusters were prevalent in United Kingdom (UK) policy in the late 1990s and early 2000s. As with most cluster-based policies, the UK government has taken a Porterian approach to defining cluster overall. In 1998, the New Labour party’s economic vision was outlined in the White Paper, *Our Competitive Future: Building the Knowledge-driven Economy*, outlining the role clusters play in achieving economic development. In 1999, the Department for Trade and Industry commissioned a nationwide cluster mapping project, while Regional Development Agencies were established to drive regional economic growth. The Department established the Cluster Policy Steering Group that brought together ministers and academic experts from the private and public sectors. One of the outcomes of the steering group’s work was the White Paper *Planning for Clusters*, released in 2000 by the Department of the Environment, Transport and the Regions. In 2001, 50 million pounds over two years was made available to Regional Development Agencies through the Innovative Clusters Fund. In 2001, the Department of Trade and Industry released the results of their national cluster mapping exercise in *Business Clusters in the UK – A First Assessment.* It usefully identified 154 clusters in the UK to help policy makers write cluster strategies and promote their region’s economy. In 2002, the Economic and Social Research Council collaborated with the Department of Trade and Industry to further assess clusters in the UK. Led by Michael Porter, the two bodies recommended a sustained cluster development program. Though enshrined in legislation the perceived influence of clusters in developing regional economies waned in the UK in the mid-2000s (Swords, 2013). However, there is a growing number of cluster initiatives at the policy, particularly at the local level (e.g. associated with Local Enterprise Partnerships/LEPs) and at the grassroots level in recent years, the researcher found, to support the potential of clusters to contribute positively to regional economic development in the UK.

**1.3 Case Study Context: The South Midlands Food and Drink Group**

 This section considers the case context of the South Midlands Food and Drink Group (SMFDG) that was used for this research study on SME clusters and shared economic and social value creation[[1]](#footnote-1). The SMFDG was founded in 2011 by a local business and management consulting firm. The impetus for the group’s formation was inspired in 2010, after the firm tendered a small amount of funding from their LEP to organise the county’s first Food and Drink Awards. The Food and Drink Awards highlight local artisan producers, eating establishments and individuals such as local festival organisers or shop owners specialising in locally based products. The Awards are sponsored by larger food and drink manufacturers in the community. Nominees are put forth via entry by individuals (e.g. restauranteurs) or public nominations and artisan producers entering their own products. In some categories, “mystery shoppers” visit local venues and shops based on nominations to determine their suitability. Nominations are then considered by a specialist panel of judges in the industry and shortlisted accordingly.

 Thus, following the success of the first Food and Drink Awards, the consulting firm’s CEO set up countrywide networking group - the SMFDG - to strengthen and support the burgeoning regional local food and drink community. With the approval of their LEP, the firm used their own financial resources to form the SMFDG. They continue the annual awards with the support of award sponsors and private funding. Additional funding, as of the time of this writing, has not come from their LEP to facilitate the organisation’s growth, representing a challenge to the SMFDG as their membership grows. Membership is open to a variety of industry stakeholders, including SME stockists who sell locally produced goods, eateries and chefs who wish to source local food and drink, larger food and drink firms that support local food businesses, small food and drink producers wishing to work collaboratively and enter new markets and even consumers who are like-minded in their interest in local food and drink. However, their primary membership base is the SMEs that participate and collaborate with each other actively to help strengthen the success of their businesses and community overall, as is the focus of this study. While the number of members varies year on year, they comfortably can boast having approximately a couple hundred members at any given point While membership is open to anyone, it is only available to located those in the county only. Notably, and as will be discussed in Chapter Five, the first chapter of the analysis, the SMFDG consider the county this as being the food and drink cluster’s boundary lines. This is contrary to Porter’s notion that clusters have lucid and undiscernible boundaries that effect regional economic development in terms of grants and funding. For the SMFDG, trading outside the region by what SMEs consider to be “local” can inadvertently harm their chances of gaining these. Membership to the SMFDG is free and will continue to be in the future if it is possible – for smaller producers who are struggling to profit, charging a fee could potentially lead to a reduction in members.

 While any food and drink business in the region may join, it usually attracts those who share the SMFDG’s core values of supporting local food and drink businesses in a collaborative setting amongst like-minded individuals. The most active participants are SMEs, it was seen during participant observation at events, as small businesses who want to support each other and the communities in which they operate. They meet quarterly to discuss a variety of topics. They share information on available grants and financial support, highlight markets and events, and offer free training and advice featuring talks from local businesses and partners. Importantly, they provide an opportunity for producers and stockists to meet, share knowledge and potentially collaborate. They are actively involved in connecting stockists with small local producers as intermediaries. They also provide a branded logo to producers to highlight that their product was made in the region, differentiating them to customers. The Food and Drink Awards continue to be an effective way to raise community awareness. Finalists and runners-up are encouraged to advertise their accolades actively. They are provided branding to market their locality to the region and the SMFDG for their social media, establishments and products, as are all other members of the SMFDG. Many of the participants said that regardless of winning an award or being nominated, they proudly display the SMFDG logo on their products or in their shop windows, which will be further related to the mechanism of value creation related to community identity and pride in Chapter Five’s analysis. Every year, the SMFDG releases a full directory booklet of various stockists and producers that includes a listing of regular county markets available to members that form the SME cluster in the region. The directory is intended for customer distribution to raise awareness of where to go to “buy local”, but also provides SMEs a way to communicate with each other to collaborate. It also highlights the vibrancy of the food and drink sector in the region editorially to raise awareness of the SMFDG as a cluster-based organisation.

As the ethos of the SMFDG is rooted in supporting and championing local food and drink businesses, so that the cluster may develop together, this is aligned with Malmberg and Power’s (2006) definition of clusters. As in, they are self-aware of their membership within the SMFDG and linked by both interactions of collaboration and competition, as will be addressed further in Chapter Five’s analysis. It is pertinent now, as the study’s scope, background, rationale (i.e. to contest CSV’s lack of empirical and theoretical groundings and treatment of SME clusters) and contexts have been introduced to address the research questions and aims for this study.

**1.4 Research Questions and Aims**

The following section will address the two main research questions for this study. Both are primary to the study and the development of the clusters of practice (CLoP) framework, outlined in the Chapter Six’s analysis. Please note that the first aim addressed here stipulates the use of communities of practice (CoP) theory in the cluster of shared value (CLSV) framework, but as the analysis reflects, this subsequently led to the development and original theoretical contribution of CLoP theory.

Research question one: Can SME clusters create shared value and if so, how?

Research question two: Can SME clusters be considered a community of practice (or an adaptation thereof) and how can they potentially facilitate shared value creation as a cluster?

Aims:

* To enhance the social relevance of the creating shared value concept using the theoretical contribution of CoP theory leading to the CLSV framework;
* To empirically study small to medium sized enterprises in a business cluster to determine how their actions may impact and create social and economic shared value creation;
* To use qualitative techniques to enhance the understanding of shared economic and social value creation in a small to medium sized enterprise business cluster;
* To demonstrate the methodological, theoretical, conceptual and empirical contributions made to management knowledge and implications for the development and application of the CLSV framework.

**1.5 Structure of the Study**

Before leading into Chapter Two’s literature review, it is relevant to outline the structure of this study. Chapter One has consisted of an introduction to the study, and has outlined the scope, background, relevance and gaps it aims to fill. Chapter Two is comprised of the literature review that will provides a section on clusters and their critiques, followed by a consideration of strategic corporate social responsibility (CSR), leading to an in-depth look at the CSV concept and its critiques and of CoP theory. Chapter Three introduces considers the specificities of SMEs and CSR and how they can be linked to social and economic shared value creation, leading to the introduction of the proposed CLSV framework. Chapter Four explains the philosophical and methodological approaches used for this study. Chapters Five and Six’s analyses of the two primary research questions follow. Namely, Chapter Five provides a view to understand research question one related to how SME clusters can create economic and social shared value through the identified four mechanisms of potential value creation. Chapter Six considers the second research question as to whether SME clusters can be considered a CoP, or an adaptation thereof. It concludes it is an adaptation of the theory, proposing that SME clusters can be considered CLoPs. Chapter Seven, the discussion chapter, is split into three sections related to the analyses: a comparison of CLSV and CSV with contributions theoretically, conceptually, methodologically and empirically considered, then introduces the revised CLSV framework, synthesising both Chapters Five and Six, and lastly, reflects a view to understand the barriers and hinderances to CLSV that SMEs face. Lastly, Chapter Eight, the conclusion chapter summarises the study and outlines further research directions beyond this study.

**Chapter Two: Literature Review**

. **2.0 Introduction**

This chapter encompasses a literature review of the topics that are most relevant to this study, starting with a discussion of the cluster concept, focusing on how it has evolved and been critiqued specifically in reference to Michael E. Porter’s conceptualisation of the concept. This is followed by a discussion of common themes themes, strengths, and weaknesses of the cluster concept. Following this, a discussion of strategic corporate social responsibility (CSR) and its links between economic and social value will be considered, to understand it as an antecedent to the creating shared value (CSV) concept. As is the focus of this thesis, CSV as a concept and its critiques will be further addressed, related to clustering. Lastly, the literature review will include sections on communities of practice (CoP) theory and its different elements will be discussed, as it forms the key theory for cluster shared value (CLSV) framework proposed in Chapter Three.

**2.1 Evolution of the Cluster Concept and Critique of Porter’s Cluster Concept**

 The concept of “industrial districts”, now commonly called business or industrial clusters, was first introduced in Alfred Marshall’s seminal book *Principles of Economics* (1890). While groups of related firms have been working in geographically proximal places for far longer in practice, Marshall was able to identify industrial districts where others saw simply industrial agglomerations, applying economist Adam Smith’s notion of the division of labour to entities besides a factory, nation-state or the world (Beccattini, 2002). Industrial agglomerations can be defined industrial activities or firms that are spatially proximal to one other (O’Donoghue and Gleave, 2004), but Marshall’s concept of clustering relates to the agglomeration of economies or the gathering of related businesses in the same area, resulting in the emergence of his term industrial districts (Marshall, 1890). The difference between an industrial agglomeration and a cluster (i.e. an industrial district) lays in the notion that it is the spatial proximity of firms that also facilitates formation of horizontal and vertical linkages or networks (O’Donoghue and Gleave, 2004).

 Marshall (1890) theorized that there are three main economic benefits related to the development of industrial clusters or districts. These benefits are related to the following and still form the basis of many cluster definitions in recent years:

1. Input externalities, wherein suppliers create neighbouring clusters, moving closer to producers;
2. Labour market externalities, wherein clusters favour the development of a specialised labour pool;
3. Knowledge externalities, wherein clusters facilitate spill-overs of technological information and knowledge.

 These externalities are also identified as benefits of clustering in more recent definitions of the term (Ketels, 2003, Porter, 1990). The most widely used definition of clusters in literature and practice can be attributed Porter (1990). To reiterate from the introductory chapter and first appearing in his seminal 1990 book, *On Competition*, Porter defines clusters as geographically proximal firms that share commonalities and complimentaries in related industries that compete but also cooperate.

Porter (1990) builds on Marshall’s (1890) work by arguing that clusters are critical to increasing and enhancing economic and regional competitiveness because they lead to increased productivity, foster innovation and allow for new business formation. Although not recognised by Porter, similar variations on the cluster concept referred to in terms such as ‘industrial districts’, ‘learning regions’, ‘new industrial spaces’, ‘neo-Marshallian nodes’, and ‘regional innovative milieus’ emerged earlier in the 1980s in the field of economic geography (Martin and Sunley, 2003); these are considered more in depth in the next section. While neoclassical economic theories of agglomeration prevailed in the works of scholars including Hoover, Chinitz, Perroux and Vernon in the 1950s, the debates of the 1980s on industrial districts and their related terms did not simply revisit conventional notions of agglomeration economies and Marshall’s original ideas. While these more recent dialogues on the cluster concept still emphasised the mutual benefits of co-location of firms (e.g. access to a skilled labour pool and the creation of internal economies of scale due to regional infrastructure development), older theories of agglomeration view firms within industrial districts as atomistic competitors aware of each other in economic terms only. However, emerging industrial districts theories from the 1980s focused on the interdependence of firms through co-operation despite competition and trust-building through sustained collaboration among economic actors in the district. (Harrison, 1992) Notably, these benefits of clustering relate to economic and competitive advantages to be gained, not on their potential social benefits as is argued in recent years, that are more specifically related to the key research questions posed in this study.

 There are many definitions of what constitutes a cluster in the literature aside from Porter’s widely used definition and will be considered more critically in the next section. Porter has adapted some of his previous theories to be applied to clusters. His widely used “diamond model” illustrates his analysis of social issues that affect competition (see Figure One). First seen in his revised version of *The Competitive Advantage of Nations* (1998), the diamond model was originally intended to illustrate how various factors can advance firm competitiveness. Since, Porter and Kramer (2006) have applied the diamond model as a way of understanding how firms can effectively identify social dimensions that affect their competitive contexts so that they may practice more effective CSR. They recommend using the diamond model to identify select key social issues they may address that would lead to the greatest economic benefit overall. They also illustrate that using the diamond model to identify social issues affecting firms can lead to the growth of clusters, using Nestlé’s “Milk District” in India as an example. In turn, this leads to increased regional competitiveness and economic development for the cluster-based firms there, aligned with Porter’s original proposed economic benefits of clustering.



# Figure One: ‘Looking Outside-In: Social Influences on Competitiveness’ (Source: Porter and Kramer, 2006, adapted from Porter, 1990)

 As illustrated in Figure One, the diamond model can be viewed as a key driver to encourage cluster development. In turn, the cluster can be viewed as a geographic foundation where the activities in the diamond model can be manifested and advanced. While the diamond model emphasises a geographic concentration of related and supporting industries (i.e. a cluster, then), this concentration of firms also enhances and increases the interactions between the other three interlinked factors. (Porter, 1998) Broadly, Porter’s diamond model as a way to explain the benefits of local business clustering is based on Marshall’s (1890) triad of external economies of industrial localisation (see Figure 2), which Porter does acknowledge (Martin and Sunley, 2003). For example, Porter’s focus on access to specialised inputs such as labour, availability of local suppliers and trades, as well as the emphasis on fostering innovation and knowledge spill-overs are adapted from Marshall’s theories, as illustrated in Figure Two below.

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# Figure Two: Marshall’s Triad of External Economies of Industrial Localisation (Martin and Sunley, 2003, adapted from Marshall, 1890)

Further, Porter’s (1990) definition of clusters has two core elements:

1. Firms within a cluster must be linked in some way through interconnected companies and associated institutions that share commonalities and complementarities. These linkages can be both vertical (e.g. in supplier, buyer or manufacturing relations) and horizontal (e.g. through complementary products/services or using similar specialised inputs, institutions or technology). Most of these linkages contain social relationships or networks that produce benefits for the firms involved.
2. Cluster networks occur within specific geographic locations where “the proximity of firms and institutions ensures certain forms of commonality and increases the frequency and impact of interactions” (Porter, 1990: 226). This second core element, then, can be viewed as the geographically close firms that make up clusters. This in turn enhances value creation as a result of the closer interactions between companies.

 However, Porter fails to define both geographic and industrial boundaries clearly, creating questions of which companies should be included in cluster networks. He argues that clusters are constantly evolving, extending the ambiguity of the second core element further:

“Drawing cluster boundaries is often a matter of degree, and involves a creative process informed by understanding the most important linkages and complementarities across industries and institutions to competition”. (1990: 222)

 Porter (1990) also suggests that cluster boundaries should consist of firms with strong linkages and innovative spill-overs and that weaker or seemingly non-existent ones can be excluded. However, how strength is measured is not explained. The implication that cluster development and boundary formation involves a “creative process” seems to imply that policy makers can adapt this ambiguous model to suit their needs, as either a success story or alternately, adapt it to justify why a cluster development initiative may have failed. Further, there is no clear geographic delineation of cluster boundaries and way to define firms’ relative connectivity through social networks/relationships or through industry. Contributing to the elasticity and ambiguity of the concept, Porter states that clusters can occur in economies of varying sizes, rural or urban areas and virtually any geographic level, from nations, states, regions, cities, neighbouring countries and so forth. This definitional weakness in the cluster concept has been honed-in upon by other scholars and is considered further in the following section as such.

 Without a clear theoretical and conceptual framework, the vagueness of the cluster concept makes it difficult to accurately apply to policy-making decisions, potentially allowing for liberties in the concept wherein it can be adapted to suit select agendas. The nature of clusters (i.e. how they can be developed and defined) is unclear. Further, then, how their successes can be measured without these criteria enables potentially skewed or inaccurate results, as well as an inability to benchmark successes for future developments. Nonetheless, the cluster concept has received widespread acceptance among academics, governments, policy makers, NGOs, regional development agencies and industry association and practitioners from several disciplines (e.g. management) despite numerous conceptual issues (Martin and Sunley, 2003), promoting the development and strengthening of local business clusters.

 But that is not to conclude that, in theory, clusters could advance the competitiveness of firms while creating shared value for its stakeholders. Additionally, other scholars, particularly in economic geography, have arguably created more accurate, effective terminologies to describe local industrial specialisation, regional development and spatial economic agglomerations, as well as in their ways to conceptualise the economic, social and institutional processes involved. (Amin and Thrift, 1992, Asheim, 2000, Markusen, 1998)

 This section has provided an overview of the history of the cluster concept, showing how it has evolved over time, and its variances in terminology, from Marshall’s (1890) industrial districts to Porter’s (1990) clusters. It has also critiqued the shortcomings of Porter’s definition of clusters (e.g. ambiguity in geographic and industrial boundaries, defining strength in linkages between firms, malleability for policy makers to develop the concept to suit their agendas).

 Despite these shortcomings, Porter’s definition of clusters is to this date considered the standard, particularly for policy makers and management practitioners. Porter stresses that clusters are critical to competitiveness, creating the previously discussed benefits of increased productivity, innovation and new business formation. Contrary to this, the potentially restrictive nature of cluster networks (i.e. that exist only within the cluster) could lead to core rigidities (see Leonard-Barton, 1992), lessened competitive advantage and stagnancy in innovation and spill-overs.

 The assumption that clusters automatically create positive economic regional development is also contestable and critical to mention. For example, the steel cluster in Hamilton, Ontario, Canada and the automotive cluster in Detroit, Michigan, United States have both lead to the cities’ respective rises and subsequent declines as the clusters have failed, illustrating that an over-dependence on clusters economically may have negative consequences for a region. In Lombardy, Italy, the lack of competence and knowledge by policy makers and of scientific research and training institutions lead to the failure of their attempts to develop a biotechnology cluster in the late 1980s, as opposed to similar successful cluster initiatives seen in the United States (Orsenigo, 2001).

 Many other scholars, however, practitioners and institutions have taken liberties with the Porter’s original cluster concept, sometimes defining it in ways that can be considered vague and sometimes arbitrary, as previously noted here by Martin and Sunley (2003). Given the vagueness of the cluster concept, it is evident that there are gaps in the literature that need to be addressed in the definition and application of the cluster concept that represent challenges for research, policy and practice. The following section gives a comprehensive review of how clusters have been conceptualised and defined, related terms from the literature. It addresses the common themes and shortcomings that emerge from these definitions, the challenges, and strengths and weaknesses of research on clusters, and illustrates the vagueness of the cluster concept and its potential for malleability.

**2.2 Common Themes, Strengths and Weaknesses of the Cluster Concept**

 Cluster definitions in the management and economic geography literature contain other relatable terms to the concept, with specific reference to industrial districts, learning regions, new industrial districts or spaces, neo-Marshallian nodes and temporary clusters are considered here. As stated above, this section aims to address the challenges to research, policy and practice through a review of literature on the cluster concept, as well the common themes and shortcomings that emerge from it, considering cluster definitions and the aforementioned related terms. Please see Appendix A for a condensed list of definitions related to these themes from key academic scholars discussed below.

 The most common theme emerging from the literature using the term clusters is the importance of geographical proximity of related businesses (see Crouch et al., 2001, Enright, 1996, Feser, 1998, Ketels and Memedovic, 2008, Klofsten et al., 2015, Perry, 2005, Porter, 1990, Malmberg and Power, 2006, May, Mason and Pinch, 2001, Rosenfield, 1997, Schmitz, 1992, Swann and Prever, 1996, Van den Berg, Braun and Van Widen, 2001, as examples). Related terms to the cluster also stress the importance of geographic proximity. These terms include the more conventional term “industrial districts” (Harrison, 1999, Sforzi, 2002), “learning regions” (Hassink, 2010) and “new industrial districts” (Raco, 1999).

 However, as aforementioned in the previous section, how geographical proximity is defined is unclear; Porter suggests the “drawing cluster boundaries” is a subjectively “creative process” (1990: 222). While most definitions do not contain specific geographical parameters, other than stressing that they be close geographic concentrations of related businesses in similar industries, others take liberties with this ambiguously defined creative process. For example, May, Mason and Pinch (2001), in their study of a British high-fidelity industry cluster, arbitrarily conclude that businesses in a cluster should not exceed a 50-mile radius from each other. In Swann’s (1998) conceptual paper on clusters, opposite to the notion of geographically proximal, similar businesses, he suggests that clusters and cities are one in the same. Using London as an example of an “evergreen cluster” (non-specific as to how “evergreen” is defined) that is created by mature industries attracting new industries through luck or design.

 Alternately, other scholars have used the term “neo-marshallian node” (Amin and Thrift, 1995, Henry and Pinch, 2001) as a new way to conceptualise clustering and decrease the importance of more tightly restrained geographic proximities in this increasingly globalised world. Drawing on Marshall’s (1890) industrial district concept, they suggest that a neo-marshallian node is a centre (i.e. a cluster) of local production complexes that exist within expanding global corporate networks. These nodes are geographically proximal within themselves, aligned with Marshall’s concepts of economic agglomeration. However, away from the importance of geographic proximity, they are argued to have the ability to create and consolidate wider global networks of social relations and entrepreneurial activity.

 Further, Maskell, Bathelt and Malmberg (2006) introduced the notion of a “temporary cluster”, representing a new type of cluster that does not depend on geographical proximity (see also Comunian, 2017, Bathelt and Schuldt, 2008, Henn and Bathelt, 2015, as examples). Temporary clusters, they argue, can be found, for example, at trade fairs, conferences, exhibitions, festivals conventions and congresses. They are considered to have similar traits to permanent clusters such as knowledge exchanges, network building, and a better understanding of the market and competition in an intensified, temporary form.

 Another common theme arising from the cluster literature is the importance of linkages to associated institutions (e.g. universities, non-governmental organisations, governments and trade unions) to enhance its competitiveness, growth, knowledge and economic success (Feser, 1998, Ketels and Memedovic, 2008, Porter, 1990, Schmitz, 1992). The importance of establishing linkages between clustered firms and these associations and has been empirically backed up by other studies (see Hershberg et al., 2007, Nadvi and Barrientos, 2004, Sergeevich and Alekseevna, 2015).

 A long-lasting, prevailing theme in the academic literature is the importance clusters have on regional economic development, as being vital to regional growth (Delgado, Porter and Stern, 2010, 2014, Karaev, Koh and Szamosi, 2007, Ketels and Memedovic, 2008, Porter, 1990, Rocha, 2015, Roelandt and den Hertag, 1999). This represents a strength to the value of cluster research for both developed and developing countries. Other scholars, however, have suggested regional economic growth and clustering are loosely linked, and that clustering is only the result of similar geographic proximity and has little influence on economic growth (Crouch et al., 2001, Rosenfeld, 1997).

 Despite the prominent support for cluster initiatives at the policy level, as exhibited in initiatives through the globe in both developed (e.g. by local enterprise councils working with federal governments) and developing (e.g. by non-governmental organisations), scholars and policy makers alike have divided opinions on how cluster initiatives should be initiated and applied. This is unsurprising given the vagueness and malleability of the concept in the literature (Martin and Sunley, 2003). In short, the conceptual confusion around the cluster concept does not allow for clear, direct initiatives to be met. For example, in their United Nations Industrial Development Organisation’s report, *Industrial Clusters and Poverty Reduction*, Nadvi and Barrientos (1994) found that unless cluster and network initiatives in developing countries listed poverty reduction as an *explicit* goal, it did not occur, despite that being the underlying *implicit* goal. Further, while there is much literature on the economic impact of clusters in developing countries, there is far less focusing than in developed countries the researcher found, with the exception of studies from the European Union around Germany and Italy, a gap this research aims to address in the UK context.

 Despite the common themes of geographic proximity, positive regional economic development and linkages with associated institutions that arise in the literature around clusters and related terms, this section illustrates that there is a need for conceptual clarity of cluster concept, representing a weakness in cluster research and a challenge for policy makers as a result. Going forward, using the definition in Malmberg and Power’s (2006) conceptualisation of a cluster represents a succinct, precise way of defining clusters in the literature, hence why it is applied and used in this study. They define clusters as having four distinct characteristics, contrary to the ambiguous differences in the cluster-based concept discussed in this section. The first is that they are a spatial agglomeration of related and similar economic activities, which speaks to the theme of geographical proximity. The second is that they should interlinked by interactions and relations of local competition and collaboration, which is aligned with the common theme of linkages being important in cluster. Aligned with the second criteria, the third is that there should be some form of joint policy action and self-awareness around cluster participants to develop together (e.g. businesses, policy makers and associated, linked institutions). The fourth criterion, which Malmberg and Power (2006) argue is not entirely necessary, is that a cluster should be successful in some way, through competition or innovation. This is aligned with the common theme of positive regional economic development.

 Lastly, a theme in clusters that is still in its embryonic stages of development explores the links between clusters and corporate social responsibility (CSR), and the development of theoretical frameworks related to these (Lund-Thomsen and Pillay, 2012, Lund-Thomsen, Lindgreen and Vanhamme, 2016, Puppim de Oliveria and Jabbour, 2017). While implementing CSR into clustester development initiatives may be an effective way for clusters to have positive social and environmental impacts, literature previous to the twenty-first century focused primarily on economic advantages of clustering, not on their potential for social and economic value creation. While there have been studies on CSR in relation to cluster practices (see Battaglia et al., 2010, Fayyaz, Lund-Thomsen and Lindgreen, 2017, Giuliani, 2016, Lund-Thomsen and Nadvi, 2010, as examples), research on SME clusters and economic and social value creation, not just economic benefits created from clustering or on CSR practices solely, is as of yet underexplored in the literature (Testa, Battaglia, and Bianchi, 2012). There are estimated to be 1000s of SME clusters in the world (AccountAbility, 2006) indicating the importance of understanding how *both* economic and social value can be created through clusters. This thesis aims to address this gap in SME cluster research empirically using the CLSV framework as a guide.

 Earlier, Feser (1998) argued that there is no theory of firm competitiveness in clusters, even in Porter’s (1990) seminal definition of them. Although not recognised by Porter and Kramer, the CSV concept is rooted in the field strategic CSR, which will be discussed further in the following sections. CSV’s proposition that clustering leads to shared economic and social value creation, a clear definition of a cluster, lack of empirics and theoretical framework upon which to support this claim is lacking. This represents a challenge for the CSV concept in for research and policy and a gap in the literature this study aims to address. This will be done using Malmberg and Power’s (2006) clear definition of clusters that combines the common themes identified from the literature (i.e. geographic proximity, linkages to both collaboration and competition between firms, and joint-policy action). Their definition will guide the proposed CLSV framework, underpinned by CoP theory, with an understanding of CSV’s roots in strategic CSR. To that end, a more in-depth look at strategic CSR is considered in the following section.

**2.3 Strategic Corporate Responsibility**

 While earlier conceptualisations and definitions of corporate social responsibility (CSR) have emerged since the 1950s in the literature (see Bowen, 1953, Carroll, 1979, Davis, 1973, Drucker, 1984, Jones, 1980, Maclagan, 1999, McGuire, 1963, as examples), CSR within organisations was primarily viewed as socially responsible or philanthropic activities practiced by organisations and not as activities that would not necessarily enhance their economic performance. In the early 2000s, however, discourses around CSR have taken what could be considered a strategic turn (Vallentin and Spence, 2017, Vishwanathan et al., 2020). Broadly, strategic CSR can be defined as:

“…a matter of attributing economic purpose or quality to responsibility, that is a purpose or quality above and beyond doing good for the sake of doing good. This implies a foregrounding of extrinsic (as opposed to intrinsic) motivations for acting responsibly”. (Vallentin and Spence, 2017: 65)

Lantos (2001) recognises three types of classifications related to CSR. The first is ethical, or the mandatory fulfilment of a firm’s legal, economic and ethical responsibilities. The second is altruistic, or the fulfilment of an organisation’s responsibilities, even if they do not lead to financial rewards for the business. Lastly, and most important here, is strategic, wherein philanthropic responsibilities are fulfilled to simultaneously provide economic benefits to the bottom line.

 Essentially, then, strategic CSR can be considered what is commonly known as a ‘win-win’ situation (i.e. it benefits both the firm and for society). It represents a business case for CSR, wherein CSR strategies represent an investment and opportunity that benefits business and society at the same time.

 While an exact definition of CSR in itself is still elusive among scholars, strategic CSR can further be viewed as the way in which businesses address larger society to reconcile shareholder value (which may also be viewed as economic value) with societal value (Snider, Hill and Martin, 2003). Aligned with this, strategic CSR is a mode of business engagement and shared value creation that allows them to meet and sometimes exceed ethical, legal and societal expectations (Luetkenhorst, 2004, Novak, 1996). However, the delivery of shareholder or economic value while creating societal value is nonetheless an antinomy for responsible businesses that they seem to be grappling with despite its evolution in recent years. It can be a complex relationship, in short. (Jackson and Nelson, 2004)

 One of the key antecedents to strategic CSR can be seen in the concepts of corporate social performance (CSP) and corporate financial performance (CFP). CSP is widely seen in the literature as a determinant of CFP (Callan and Thomas, 2009). CFP can be considered as a set of financial measures, typically measured with profitability measures found in financial statements that are normally relatively standard and easy to access (Gallant and Cadez, 2017). CSP can be broadly defined as a construct intended to illustrate normative and instrumental aspects of corporate responsibility that are aligned with concrete outcomes (Vallentin and Spence, 2017). CSP then, as determined by CFP, is intended to provide measurements of CSR using various metrics, essentially. However, there are many inconsistencies in studies that indicate either positive, negative or neutral effects of CFP on CSP (Vogel, 2005, Peloza, 2009, Vishwanathan et al., 2020). Vallentin and Spence (2017) argue that studies based around measuring CSR through CSP-CFP relationships begs the questions: which causes which? Does CSP impact CFP or vice versa? Further, measuring CSR in terms of metrics of performance is not holistic in scope, they argue. However, while the links of CSP-CFP make a vague, ambiguous contribution to the field of strategic CSR, it may be used as an instrument to sway businesses that being socially responsible is in their best interests.

Vishwanathan et al. (2020) indicate further that the shift in the past two decades from investigating the CFP-CSR relationship “as a whole to identifying the concrete empirical mechanisms through which CSR activities affect firm-level financial outcomes” (Vishwanathan et al., 2020: 315) has been motivated by three main reasons. First, Orlitzky, Schmidt and Rynes’ 2003 meta-analysis of 52 studies on the relationship between CSR and CFP documented a small positive correlation between the two. This indicated a shift in thinking about not *that* CSR matters in terms of financial performance towards questions of *how* [emphases added] CSR matters (Barnett, 2007, Wang et al., 2016). The second reason is that scholars have become increasingly more interested in focusing on different types of CSR activities and how they may affect a firm’s financial performance indirectly (Flammer, 2013, King and Lenox, 2002). Thirdly, CSR researchers have begun to use more advanced research designs in their methodologies (Flammer, 2013, Ortiz-de-Mandojana and Bansal, 2016), requiring a shift towards more focused research questions (Godfrey, Merril and Hansen, 2009, Koh, Qian and Wang, 2014, Ortiz-de-Mandojana and Bansal, 2016). While a discussion on the links between CSP, CFP and CSR are an important part of strategic CSR’s development, using financial metrics to show how effective CSR practices are in a firm has a tenuous relationship overall. Rather, an understanding of how social and economic value creation occurs through actual strategic CSR activities of a company provides greater perspectives on the economic impact or benefits of them. This allows for a broader scope of the relationship between social and economic value, arguably.

More critical to this study though is how strategic CSR, a field in which has investigated the relationship between economic and social value for decades, is that it has provided a platform for CSV to become a contemporary example of strategic CSR. Despite Porter and Kramer’s claims that CSV is a departure from CSR (2011), CSV can be understood as a fact a subfield of strategic CSR (Vallentin and Spence, 2017). CSV is rooted in strategic CSR and its discourses on economic and shared value creation; it draws on these same fundamental concepts. The following section will consider the CSV concept in-depth and its relationship to social and economic value creation/strategic CSR. It will also include the concept’s shortcomings and critiques (i.e. its empirical and theoretical weaknesses) more specifically to clusters, as related to the focus of this study.

**2.4 The Creating Shared Value Concept and its Critiques**

 To reiterate further from the introductory chapter, Michael E. Porter introduced the cluster concept to the management discipline in 1990 in his seminal book, *On Competition*,without due acknowledgement of related conceptual foundations laid in other fields (e.g. economic geography). Similarly, Porter and fellow management scholar Mark R. Kramer’s creating shared value (CSV) concept (2002, 2006, 2011) has also been developed in previous years (e.g. Stuart Hart’s ‘Sustainable Value’ concept 1996) and widely in the field of strategic CSR related to economic and social value creation. To reiterate further from the introductory chapter, from their Harvard Business Review article, ‘*The Big Idea: Creating Shared Value’*, Porter and Kramer (2011) define the ‘creating shared value’ concept as:

“…policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates”. (Porter and Kramer 2011: 6)

 According to Porter and Kramer (2011) there are three aforementioned ways to create shared economic and social value for all stakeholders without economic or social trade-offs for firms: through “enabling local cluster development” (2011:5), the focus of this study, redefining productivity in the value chain, and reconceiving new products and markets. Related to clustering, they use Nespresso, a branch of Nestlé, and their efforts to build coffee/cocoa bean clusters in South America. With the goal to build farmers’ agricultural, financial, and technical capabilities, increasing access to agricultural necessities such as plant stock, irrigation equipment and fertilizers, production volume of cocoa beans was increased. Further, they assisted them in finance shared wet-milling facilities that produce higher-quality beans for Nespresso products. In turn, farmers’ yields, efficiency, sustainability, and product quality have increased, which generate more profits for the farmers; they can charge more for their beans overall, as well. In this way, value has been created on a social level for them and on an economic level for Nestlé. However, their focus is on SME supplier clusters that serve larger corporations, not independent SME clusters, representing the focus of this study.

 As with the broader concept of CSV, clustering is an avenue to create shared value under its umbrella of the three concepts is not only unproven but also not without its critics. Like value chains and hybrid organisations, clusters cannot be assumed to disseminate social good without problems. Income distribution associated with cluster development may lead to overcrowding, migration issues and an unstable reliance on particular industries. (Crane et. al, 2014)

 The CSV concept has become a widely adopted cornerstone for consulting enterprises and business managers that purports to correct issues related to CSR. Porter and Kramer view CSR as reactive, driven by public relations, unfocused, disconnected from community issues and limited in its impact (Aakhus and Bzdak, 2012). Porter and Kramer (2006) argue that CSR efforts place business against society and obscure many positive chances for companies to benefit society due to CSR’s separation from strategy. They argue this despite the previous several decades of research that views CSR as strategic not just as purely philanthropic, ad-hoc, bolted-on or for reputational purposes as they suggest (Crane et al., 2014).

 There is a growing body of literature that questions the CSV concept’s validity (Aakhus and Bzdak, 2012, Beschorner and Hajduk, 2017, Crane et al., 2014, Szmigin and Rutherford, 2013). The CSV concept lacks two foundations on which management concepts are built it is argued: concrete empirical evidence except for selective cases, not considering any contradictory ones with negative implications potentially related to them and a clear theoretical framework that businesses could use in its application to create shared value (Aakhus and Bzdak, 2012, Crane et al., 2014, Dembak, Singh and Bhakoo, 2016).

 Related to the shortcomings of empirical data, Porter and Kramer (2011) have chosen shared value success stories, such as Nestlé and Coca-Cola, based on their own consulting work when entering new markets. They do not consider the negative impacts their core products and markets may have. The CSV concept arguably over-simplifies the complexities of business and does not offer enough empirical evidence to support its claims (Crane et al., 2014). Further, it downplays the trade-offs that businesses often need to make when implementing responsible practices and does not offer tangible improvements to current methods of doing business (Woolridge, 2011). However, while there has been some literature that attempts to theorise the CSV concept more effectively (Weiland, 2017) they lack empirical grounding. Liel (2016) treats CSV as a theory in and of itself and uses empirical data from sixty case studies but uses only large firms as examples.

 It is argued here that CSV cannot not be considered a theory. According to Schutz (1962) a theory in the social science is supported by a significant class wherein empirical, ascertainable, and explainable regularities exist. Related to CSV, as aforementioned, Porter and Kramer’s view on clusters has primarily focused on the impact of larger corporations and their SME suppliers, creating a biased view. This study aims to consider how SMEs within a cluster can potentially create shared economic and social value, independent of larger corporations and their supply chains. Schutz (1962) continues to argue that a concept originates from unclarified situations, which can be considered true here. In the view of the researcher, a concept is often abstract and unsupported by factual, physical, or empirical evidence or data (e.g. the concept of a mermaid or a unicorn). It can be disproved or proven using these types of evidence. A theory, on the other hand, is supported by evidence or data and has been tested scientifically or empirically, using determinable, ascertainable examples (e.g. the theory of evolution). By using CoP theory, this study aims to gather empirical data to either prove or disprove that SME clustering can create shared economic and social value. Further, to also potentially provide a way to illustrate that when acting as CoPs, SME clusters can create CLSV.

 A thorough literature review for this study, similar to that conducted by Dembak, Singh and Bhakoo (2016), supports this. They compare CSV to other concepts and supported theories (e.g. CSR and sustainability, corporate citizenship, stakeholder theory, blended value, social innovation and social entrepreneurship, and bottom of the pyramid theories) and conclude:

“Considering all the findings, it is clear that shared value as a theoretical concept is at a nascent stage. It has, however, entered into the language of many disciplines, and it thus resembles a management buzzword“. (Dembak, Singh and Bhakoo, 2016: 245)

 Further, CSV does not emphasise *long-term* sustainable value creation; sustainability impacts are not as part of this decision-making process due to its economic focus. The CLSV framework thus does not consider environmental impacts, but social only. However, Porter and Kramer do not recognise the similarities the CSV concept has to preceding theories that do consider environmental impacts. Stuart Hart’s sustainable value concept (1996) and Hart and Glen Dowell’s re-orientation of Hart’s original resource-based-view of the firm (Hart, 1995) into the natural-resource-based view of the firm (Hart and Dowell, 2011) are two key ones. CSV suggests that firms choose a small number (e.g. one or two) of areas/branches of production where they could make the most impact socially to their greatest benefit economically. This approach is not strategically holistic and allows companies to engage in value creation in some areas to the neglect (or even perhaps to the detriment) of others (Crane at al., 2014). Further, the social initiative chosen by economic larger firms may not be the ones that the communities actually or really *need*. Hart himself has even argued that Porter and Kramer have ‘pirated’ (i.e. intellectually stolen) his theories and adapted them for their CSV concept without recognition ashart such (Hart, 2013).

 Research in African country contexts has shown that overcrowding amongst cluster businesses can also have negative effects on enterprise growth, causing them to leave for more spacious areas, and contribute to increased crime and security threats (Sonobe, Akoten and Otsuka, 2011). Porter and Kramer argue that cluster development is driven by industrial potential, not social needs. Arguably, then, a region with more social needs might not be chosen over one with less social problems for cluster development (Crane et al., 2014).

 Porter and Kramer (2011) further indicate that the ideal climate for shared value creation occurs with the aid of the capitalist systems and larger firms. In contrast, some informal clusters throughout East Asia support and encourage firm growth leading to eventual formalisation without assistance from formalised clusters or from participation in global value chains. Policy makers in Sub-Saharan Africa should arguably recognize this example, supporting the growth of informal clusters and job creation within clusters that may come from the assistance of governments, NGOs and foreign aid agencies. (Sonobe, Akoten and Otsuka, 2011)

 In the UK context, the Better Business Bureau has highlighted CSV on their website as superior to CSR, espousing that CSR is a dated add-on not integrated into an organisation’s strategy, whereas CSV is, contrary to its roots in strategic CSR. They also claim that the CSV framework can be beneficial to organisations of all sizes, which will be refuted in the CLSV framework, and offer to help businesses implement a CSV plan. This is clearly contrary to criticisms of CSV explained here. Widely read news outlet The Guardian featured an article titled ‘*Better Ways of Doing Business: Creating Shared Value*’ written by Kramer discusses CSV and its proposed benefits in 2012, arguing that it that CSV is not rooted in CSR or sustainability concepts and entirely different. At a wider level, the European Commission links CSV to CSR in on their webpage, acknowledging CSR as an antecedent to CSV.

 In sum, the CSV concept has been endorsed by many practitioners and academics, but it can be viewed as lacking both the theoretical foundation and empirical evidence to support itself when treating all three areas firms can create shared value (Crane et. al, 2014). Related to clustering, the CSV concept ignores the pitfalls clustering may have on regional economic development. Further, the CSV concept lacks explanatory power to show how social value can be created. It takes an economic lens to social problems, encouraging businesses to focus on social issues that will lead to the greatest economic benefit, through the purposeful strategic plans of larger corporations.

 However, not all SME clusters - as the one proposed to be considered in this study - can be viewed as supplier clusters to larger corporations, reliant on the strategic plans of larger corporations to create social value and clusters as CSV suggests. They must focus on financial survival as opposed to creating strategic plans related to CSV. Not-withstanding this, however, many SMEs view being socially responsible in their communities as an important facet of their operations. For example, the Federation of Small Business in the UK’s 2007 online questionnaire focused on SMEs in the UK and had approximately 1700 respondents. While they found that 92 percent of the respondents considered their businesses environmentally and socially responsible in varying ways, 48 percent cited cost (e.g. not enough money) as a barrier to CSR, 42 percent said a lack of time prevented it and 46 percent said they felt they were too small. The CLSV framework aims to provide theoretical and empirical grounding to fill in the gaps and faults of CSV in relation to SME clusters not reliant on being suppliers to larger corporations. Using communities of practice theory (CoP) as a lens, the CLSV framework also considers the specificities and barriers SMEs face towards practicing strategic CSR, shared value creation and in their business operations.

Before explaining and introducing the CLSV framework, justification for using CoP theory in relation to SMEs, their specificities, clusters, shared value creation and its basis in strategic CSR and in turn, CSV, it is relevant to explain CoP theory in detail, as explored in the following section and its subsections.

**2.5 Communities of Practice**

 The term “communities of practice” (CoPs) was coined by anthropologist Jean Lave and educational theorist and practitioner Etienne Wenger in their seminal 1991 book *Situated Learning: Legitimate Peripheral Participation*. They studied situated learning in the contexts of apprenticeships, drawing on the cases of the Yucatec midwives, naval quartermasters, meat cutters, Vai and Gola tailors and non-drinking alcoholics. Lave and Wenger (1998: 98) define CoPs as: “a system of relationships between people, activities and the world; developing with time, and in relation to other tangential and overlapping communities of practice”.

While others following Lave and Wenger (1991) drew on CoP theory to create alternate definitions, (see Brown and Duguid, 1991, Eckert and McConnell-Ginet, 1992, as examples), the works of Lave and Wenger (1991) were later expanded on more extensively in Wenger’s 1998 book *Communities of Practice: Learning, Meaning and Identity*. Using a study of an insurance claims processing office, he developed a more in-depth understanding of the dynamic operations of CoPs and provides a range of more clearly defined aspects of CoPs, discussed here. Wenger (1998) also provides a clearer definition of CoPs than in his and Lave’s earlier (1991) work, as a group that participates through ‘mutual engagement’, focused on an appropriated, ‘joint enterprise’ (i.e. their common goals or shared pursuits), to create a ‘shared repertoire’ of knowledge to meet their goals. Members of a CoP can be considered ‘practitioners’ who develop a repertoire of various resources (e.g. stories, tools, experiences, skills, methods of addressing recurrent problems) through their mutual engagement with each other to meet shared goals. Practitioners, then, can essentially be defined as members of a CoP who participate in the development of this repertoire towards meeting their shared goals. Wenger (2007) defines practitioners as: “groups of people who share a concern or a passion for something they do and learn how to do it better as they interact regularly”. However, Wenger (1998) notes that not everything referred to as a “community” is necessarily a conventional community. While neighbourhoods are often referred to as communities, for example, they are not CoPs. The word community as it is conventionally used as in neighbourhoods differs from the term community, then, as when it is applied to a community of practice. Neighbours do not necessarily mutually engage with one another to develop a shared repertoire and have common goals as members of a CoP do. They may merely just engage with one another on a friendly basis. Alternately, having common interests with a group (e.g. enjoying the same genre of music), does not make them a CoP without a joint enterprise leading to the development of a shared repertoire.

While Wenger, McDermott and Snyder wrote a book titled *Cultivating Communities of Practice* (2002), its contents and goals is less relevant for a study of shared value and situated learning in clusters. Rather, it is a guide for managers to develop CoPs for the purpose of driving knowledge in management strategies and create competitive advantage. Thus, it is Wenger’s (1998) sociological-based seminal work that forms the foundations of CoPs. It will be used here to propose a theoretical framework to understand how clusters may create shared value. CoP theory is applicable to clustering as it provides a unit of analysis that measures the *quality*, not the *quantity* of relationships (Holmes and Meyeroff, 1999), mirroring Malmberg and Power’s (2006:57) claim that cluster-based “activities should be interlinked by relations and interactions of local collaboration and competition”.

Wenger argues that learning is often considered as something done individually and it is assumed that learning “has a beginning and an end; that is best separated from the rest of our activities; and that it is the result of teaching” (1998:3). Writing together though, Lave and Wenger (1991) proposed the opposite. Their model of “situated learning” proposes that learning is a) social and b) comes in large part through the experience of participating in everyday life. This model of situated learning stipulates that learning involves a process of engagement that occurs in a ‘Community of Practice.’ While the fundamental concept of situated learning remains the same, Wenger (1998) refines it further in his book, marking departure from the notion that situated learning occurs in a harmonious group of individuals that automatically precludes shared understandings and meanings. Rather, he acknowledges the possibility of conflict in CoPs and does not presume that a community’s characteristics of ‘mutual engagement’, ‘joint enterprise’ and the development of a ‘shared repertoire’ among them automatically creates harmonious shared relationships and understandings.

Since his seminal 1998 book, Wenger has written further about the CoP theory and situated learning (see Wenger, 2000, Wenger and Williams, 2000, Snyder and Wenger, 2010, as examples), but the concepts have remained fundamentally the same. Although CoP theory has been critiqued in the management field (Amin and Roberts, 2007, Fuller et al., 2005, Handley et al., 2006, Roberts, 2006), these critiques are based on Wenger’s conceptualisation of CoPs and their limits, with little in the way of expansion or changes. Further, the majority of management literature still utilises Wenger’s conventional definition of CoPs in their works. Hence, Wenger’s conventional treatment of CoP theory is used in this study and will be further justified when introducing the CLSV framework in Chapter Three.

As humans, Wenger (1998) argues we are constantly engaged in pursuing all kind of enterprises (e.g. wants, needs, goals), from survival to luxuries. As individuals form these enterprises and engage in these pursuits together, situated learning occurs as individuals engage with one another and the world. CoPs are created over time through “the sustained pursuit of a shared enterprise” (Wenger, 1998: 45), in a shared domain, wherein members mutually engage in *practice.* To that end, CoPs are everywhere. Individuals can belong to several CoPs at any time—at school, work, home, as part of their hobbies and so on. They are people engaging in a process of collective learning in shared domains of endeavours or pursuits, such as a group of doctors working on a medical problem together, a family surviving and living together, a musical group trying to write new songs, and so forth to create a shared repertoire. Further, CoPs are not intentionally created, they evolve, unlike a formal structure such as a department or team. CoPs exist due to the connections that members have with each other and within the larger institution they reside or operate in, relying on a set of shared meanings connected to the practice of work itself and their common enterprise. (Wenger, 1998)

However, there have been some critiques of the terms ‘community’ and ‘practice’ that need to be addressed here. The term ‘practice’ is perhaps *too* rich in meaning, creating ambiguity around it at times (Knorr Cetina, 1999). To refute this and be more succinct, Wenger (1998: 47) notes that his definition of ‘practice’ is that of social practice; it is related to “doing in an historical and social context that gives structure and meaning to what we do”. Further, the term ‘community’ has been recognised as somewhat problematic (Contu and Willmott, 2003, Handley et al., 2006, Lindkvist, 2005). Traditionally, the term is viewed as a comfortable, tranquil, warm place of common understanding (Bauman, 2000). Alternately, Wenger (1998: 5) defines community as “a way of talking about the *social* [emphases in original]configuration in which our enterprises are defined as worth pursuing and our participation is recognisable as competence”. As a social configuration, a CoP reflects the wider social institutions and structures (or lack of), that can be seen in the broader context in which it is situated (Roberts, 2006). It has been speculated as to whether CoP theory would have appealed to academics and practitioners if ‘community’ had been replaced with less accessible terms such as ‘cadre’ or ‘commune’ instead (Brown and Duguid, 1991), however. Cox (2005: 532) aptly compiles a comparison of Wenger’s use of the term community versus its conventional use:

|  |  |
| --- | --- |
| **Expected Usage** | **Wenger’s Usage** |
| Tightly knit network | Tightly knit relationships |
| Large scale | Uncertain scale, probably smaller |
| Neighbourhood-based (geographically situated) | Co-located in the workplace |
| Self-conscious/externally recognised | Not recognised, not clearly bounded |
| All-encompassing | Specific to the enterprise |
| Friendly, supportive | Conflictual as well as harmonious |
| Unpurposive | Purposive |
| Static | Ephemeral, creative |
| Born into | Voluntary |

# Table One: Expected Use of Term “Community” versus Wenger’s Usage (Adapted from Cox, 2005: 532)

Additionally, to bring clarity to the term ‘community of practice’ Wenger (1998: 125-126) developed a list of indicators that are characteristic of CoPs:

1. Sustained mutual relationships;
2. Shared ways of engaging in doing things together;
3. The rapid flow of information and propagation of innovation;
4. Absence of introductory preambles, as if conversations and interactions were merely the continuation of an ongoing process;
5. Very quick setup of a problem to be discussed;
6. Substantial overlap in participants’ description of who belongs;
7. Knowing what others know, what they can do, and how they can contribute to an enterprise;
8. Mutually defining identities;
9. The ability to assess the appropriateness of actions and products;
10. Specific tools, representations and other artefacts;
11. Local lore, shared stories, inside jokes, knowing laughter;
12. Jargon and shortcuts to communication as well as the ease of producing new ones;
13. A shared discourse reflecting a certain perspective on the world.

Other likely features he notes, but not necessary ones, are that all participants will interact with each other intensely, be held accountable by members in the group and that much of the repertoire they develop in their pursuit of a shared enterprise has been invested locally. While Wenger’s conceptualisation of the word community is a paradox compared to the term historically, the indicators add additional clarity to his definition. For example, indicator one is contrary to traditional views of the word; communities, to Wenger can be harmonious or conflictual in their sustained mutual relationships. Wenger’s language as well (e.g. joint enterprise) has consensual connotations; it has a purpose, in contrast to the notion that communities are unpurposive (Contu and Willmott, 2003). Indicator seven, for example, illustrates this – it implies that connections are defined by the shared enterprise. In contrast, the term community is conventionally viewed as a unified, geographically proximal entity. Further, for Wenger, communities are based on a practice, not a geographic locality although it is considered in a sense situated and local. Community traditionally implies homogeneity, whereas indicator eight implies that CoPs are groups of people who differ; they have different knowledge, skills and mutually defining identities. Communities are generally thought of as unstructured, whereas a CoP has an internal structure that evolves over time and are a creative force. (Cox, 2005)

Wenger, McDermott and Snyder, (2002) devote an entire chapter in their book to the ‘downside’ of CoPs arguing that the:

“…very qualities that make a community an ideal structure for learning – shared perspectives on a domain, trust, a communal identity, longstanding relationships, an established practice – are the same qualities that can hold it hostage to its history and its achievements”. (Wenger, McDermott and Snyder, 2002: 21).

In this way, CoPs can become stagnate if they do not evolve, becoming resistant to change and static in development of the knowledge base, reminiscent of the notion of cluster lifecycles.

CoPs are also assumed to be decentralised entities (Liedtka, 1999). Power dynamics are not sufficiently explored by Wenger and Lave (1991). Though they do note that power is significant in shaping the role of members and participation, they do not explore the implications of power distribution. Wenger’s (1998) considerations of power are relegated to foot notes. (Roberts, 2006) Participative leadership, which is closely linked to the concept of collaboration, aligned with Malmberg and Power’s (2006) conceptualisation of a cluster, may provide a way to stabilise power dynamics in a CoP. Participative leaders do not maintain the focus and motivation of members through hands-on control. They have a view that members are already in motion and are not in need of motivation:

“…the leader’s task is to help them reconstruct their current meaning in a way that allows them to refocus and change…to succeed, such views of leadership require an organisation with…shared purpose, respect for the individual, a capacity for dialogue, and a willingness to put a dominating self-interest aside”. (Liedtka, 1999: 10)

Thus, leaders need to have a shared sense of purpose and meaning that is not imposed from the top-down; it needs to run from the personal to the organisational. Trust is also imperative in a CoP; relationships of trust between members indicates that shared mutual understanding is built upon their common appreciation of their shared cultural and social context.

The following sections will describe the concept of situated learning in further detail, followed by an explanation of the three dimensions crucial to CoPs, namely a jointly negotiated enterprise, mutual engagement and a shared repertoire.

**2.5.1 Situated Learning Theory**

Situated learning theory (Lave and Wenger, 1991, Wenger, 1998) proposes a radical departure from traditional cognitivist theories of learning. It questions the educational assumption that classroom-based ‘learning’, a discrete and decontextualized activity, is equally as effective as learning that takes place within the communities wherein what is ‘practiced’ is learnt and vice versa.

The cognitivist idealization of the classroom is founded on a positivist assessment of abstract knowledge: that such knowledge is valuable because it reflects an objective reality and can be manipulated using rationalist and symbolic logic. Situated learning theory, however, argues that the cognitivist focus on abstract knowledge is misleading because it overlooks the largely tacit dimension of workplace (and other) practice. (Handley et al., 2006)

Contrarily, the situated learning theory suggests that individual learning can be thought of as evolving or emerging. Knowledge in situated learning is not mainly symbolic or abstract as in the classroom – it is mediated, provisional and socially constructed (Blackler, 1995). Cox (2005: 529) compares the “old” and “new” models of learning:

|  |  |
| --- | --- |
| **Old Models of Learning (cognitive)** | **New Models of Learning (constructivism, situativism)** |
| Teaching | Learning |
| Classroom | In situ |
| By teaching  | By observation (therefore social) |
| (Individualised) pupil learns from teacher | Learning from other learners (therefore social) |
| Planned in a curriculum | Informal, driven by the task (though elements of the apprenticeship are formal) |
| Learning is a mechanistic, cerebral process of transmission and the absorption of ideas  | Learning is as much about understanding how to behave as what to do, and is an identity change |
| ----  | By peripheral participation |

**Table Two: Comparison of the “Old” and “New” Models of Learning (adapted from Cox, 2005: 29)**

Wenger (1998: 5) proposed the following model to explain the four components of practice, community, identity and meaning of situated learning as social processes, wherein participation by members is key in its negotiations and development:



# **Figure Three**: Components of a social theory of learning: an initial inventory (Wenger 1998: 5)

To elaborate on each concept, Wenger (1998: 5, emphases in original) defines each component more clearly:

|  |  |
| --- | --- |
| *Meaning* | A way of talking about our (changing) ability – individually and collectively – to experience our life and the world as meaningful. |
| *Practice* | A way of talking about the shared historical and social resources, frameworks and perspectives that can sustain mutual engagement in action. |
| *Community* | A way of talking about the social configurations in which our enterprises are defined as worth pursuing and our participation is recognisable as competence. |
| *Identity* | A way of talking about how learning changes who we are and creates personal histories of becoming in the context of our communities |

**Table Three: Components of Social Learning Theory (adapted from Wenger, 1998: 5)**

Participation by members of a CoP is a critical consideration – each component requires participation on their parts. Participation involves opportunities for individuals to participate and develop the practices of the community, alongside the development of an identity, and provides them with a sense of commitment and belonging (Lave and Wenger, 1991, Wenger, 1998). It is also possible that through participation in communities’ individuals may adapt themselves, leading to a reconstruction of their own identities and practice (Handley et. al, 2006).

As Wenger suggests, participation refers “not just to local events of engagement in certain activities with certain people, but to a more encompassing process of being active participants in the *practices* of social communities and constructing *identities* in relation to these communities” (1998:4; emphasis in original). Thus, participation is not merely a physical event or action – it involves “action (‘taking part’) and developing interpersonal connections” (Wenger, 1998: 5). Wenger (1998: 56) argues that participation brings the ability to negotiate meaning and “the possibility of mutual recognition”. Through situated learning, the four interconnect components of community, identity, practice and meaning are developed through participation by members.

Participation in situated learning is not just about developing knowledge through practice (‘learning as doing’), it also involves a process of understanding our own identity and who we are (‘learning as becoming’) and in which CoPs that we belong to and are accepted by (‘learning as belonging’). Wenger (1998) elaborates that there are three modes of ‘belonging’ in social systems of learning. The first is that of ‘engagement’, achieved by engaging in practice together. The second is that of ‘imagination’ which involves the construction of an image of ourselves, our communities and the world. Through this process members are able to orient themselves, reflect on their situations and explore possibilities. This could be viewed as related to the formation of identity. The third mode is ‘alignment’. This involves making sure local activities align with other processes sufficiently to ensure they can be effective beyond individual engagement with the CoP.

Meaning is negotiated, according to Wenger (1998), through a process of participation and reification, the latter term being the process of ‘learning as doing’ through producing ‘objects’. When defining objects, Wenger (1998: 29) explains that: “Any community of practice produces abstractions, tools, symbols, stories, terms and concepts that reify something of that practice in a congealed form”. Meaning as experience, thus, is created in the ‘doing’. Lave and Wenger (1991) argue essentially that:

“The nature of learning requires participation in the doing, the sharing of perspectives about the doing itself, and the mutual development of the collective’s capabilities in the process. Thus, it is in the social interactions of the community, not the individual heads and hands of its producing members, where the community’s practice evolves and exists”. (Liedtka, 1999: 7)

However, Liedtka (1999) notes that the challenge in creating this type of community is that it must preserve, support and enrich the uniqueness of each individual within the context of that community, and then link this uniqueness with the community’s purpose. This is not to assume that this will be a harmonious process, however. The earlier work of Lave and Wenger (1991) implies that ‘legitimate peripheral participation’ (i.e. newcomers to the community) in a community will lead ultimately to full participation. This notion follows earlier theories of socialisation (e.g. Vygotsky, 1978), that stipulate communities will reproduce smoothly over time. This could be attributed to the fact that their work considered case studies of apprenticeships, wherein members went from novices in their field to experts. However, Wenger’s 1998 work represents a departure from the notion that all members will eventually come to fully participate as members (see the discussion on marginal, peripheral and core members below for a more detailed consideration of levels of membership).

As aforementioned, Wenger (1998), unlike in Lave and Wenger (1991), acknowledges the possibility of conflict in CoPs and does not presume that CoPs’ characteristics of ‘mutual engagement’, ‘joint enterprise’ and the development of a ‘shared repertoire’ will create shared understandings, meanings and relationships between members. According to Wenger, the potential for conflict and tension exists because through their lifetimes, individuals participate within several communities, not just one. Each of these communities, in turn, are comprised of different identity structures and practices. How individuals manage their actions, roles and relationships within these multiple communities is important. Wenger (1998) suggests that:

“We engage in different practices in each of the communities of practice to which we belong. We often behave rather differently in each of them, construct different aspects of ourselves and gain different perspectives”. (Wenger, 1998: 159)

As CoPs evolve and develop, there is the possibility for variations and intra-community conflict to occur. As individuals are part of multiple communities, they also bring with them their personal histories of involvement with social, familial and workplace groups. These groups may have norms that complement or conflict with one another. These conflicts need to be negotiated and reconciled with an understanding of what happens within and beyond communities if the individual is to achieve a cohesive sense of self. However, while they are likely to be negotiated continually, it is also likely they never will be resolved. (Handley et. al, 2006)

A final important element to consider is the aforementioned level or degreeof participation in which members of a community engage. Wenger (1998) distinguishes three categories of participation that dictates their membership status. These are determined by the experience of individuals and labelled as such by other members; they are contingent on whether their position is dynamic or temporary. The most distant are *marginal* members, or participants who are at the periphery of the community, followed by the *peripheral* members, or newcomers who participate in the community to a limited extent, and lastly, *core* members, who fully participate in activities at the core of the community. The process of becoming a member of a CoP always involves learning, whether in the context of a workplace, interest group or family (e.g. though marriage). Individual membership of a CoP differs:

“The basis of this variation lies in how successfully an individual has acquired the shared repertoire or assimilated the goal(s) of the joint enterprise, or established patterns of engagement with other members” (Holmes and Meyeroff, 1999: 176).

Peripheral members may later become core members but may choose to remain peripheral members, even though the core members may perceive them as a potential core member. However, there is some confusion surrounding the role of marginal members. Wenger states that marginal participation can be considered a form of ‘non-participation’ (Wenger, 1998: 116). Marginal members are also prevented from becoming core members or engaging in full participation. Handley et.al (2006) suggest that only individuals who go from peripheral to full participation should be categorised as ‘participating’ as dictated by situated learning theory. This also implies that there will be a greater number of individuals – voluntarily or not – participating at the margins of a CoP.

For Wenger (1998), CoPs are significant places of negotiation, learning, identity and meaning through practice in their communities. To that end, he identifies “three dimensions of the relation by which practice is the source of coherence of a community” (Wenger 1998: 72), discussed in the following section.

**2.5.2 The Three Central Dimensions of Communities of Practice**

The three central dimensions identified by Wenger (1998) are mutual engagement, joint enterprise and a shared repertoire. The following diagram summarises these and their associated activities:



# Figure Four: Dimensions of practice as the property of a community (Source: Wenger, 1998: 73)

Mutual engagement in a CoP is characterised by regular interaction between participants. It forms the basis for the relationships that make the CoP possible; norms and relationships are established through mutual engagement. Wenger (1998: 73) explains that: “Practice does not exist in the abstract. It exists because people are engaged in actions whose means they negotiate with one another”. In this sense, practice resides in members of a community of people; membership in a CoP is a matter of mutual engagement in their shared practice. It is not as simple as a network of related people who share information. Mutual engagement, while it does not entail homogeneity between members, does create relationships between people. When sustained, it “connects participants in ways that can become deeper than more abstract similarities in terms of personal features or social categories” (Wenger, 1998: 76). In this way, a CoP can become a tightly knit node bound by interpersonal relationships. However, Wenger (2007) notes that members of CoP do not have to work together every day, using The Impressionist painters as an example. They met up only to discuss the styles of painting they were inventing together, as part of their practice to develop their shared repertoire.

Returning to conflict, Wenger (1998) does recognise that mutual engagement does not necessarily create peaceful, harmonious bonds – there can be plenty of tensions, conflicts, and disagreements in CoPs as well. In fact, Wenger (1998) argues, competition, disagreements and challenges can all be considered forms of participation. A shared practice is diverse, complex, and not reducible to single principles such as power, competition, and pleasure. Rather, mutual relations among participants can be complex mixtures of pleasure and pain, competition and collaboration, power and dependence and so forth.

The second characterisation of a CoP as a source of community coherence is that of joint enterprise. The joint enterprise is not just a stated, shared goal, but rather a jointly negotiated enterprise that binds participants together. It involves complex relationships of mutual accountability that in turn become an integral part of the shared practice. The negotiated joint enterprise of a CoP is defined by participants, Wenger says:

“...in the very process of pursuing it. It is their negotiated response to their situation and thus belongs to them in a profound sense, in spite of all the forces and influences that are beyond their control”. (Wenger 1998: 77)

The joint enterprise is not a static agreement; it is a process that requires mutual engagement, coordination, relations of accountability and sense-making between participants.

The third characteristic Wenger (1998) outlines is the development of a shared repertoire, facilitated by their shared domain of interests. Over time, the joint pursuit of a common enterprise “creates resources for negotiating meaning” (Wenger, 1998: 82), in the form of a shared repertoire. Wenger (1998) states that the repertoire of a CoP can include words, tools, stories, routines, ways of doing things, gestures, symbols, actions and concepts the community has adopted or produced that have become part of its practice. These resources can be used to solve problems, share knowledge and help members pursue the shared enterprise.

To sum up these three characteristics, a CoP is not as simplistic as a group of friends or a connected network of people. Members of a CoP have an implied commitment to their joint enterprise and shared domain of interest to build their repertoire through mutual engagement in their practice. They also share a collective competence that makes its members unique from other people. However, this competency is not necessarily recognised as skill or expertise outside of this domain. For example, youth gangs may develop ways of surviving on the street; while they value their competence, and learn from other members, few others would place value on or recognise their expertise.

As the relevant topics to this study have now been explored throughout this chapter’s literature review, the following conclusion section summarises the chapter before leading to Chapter Three, wherein the CLSV framework is introduced.

**2.6 Conclusion**

Chapter Two has explored key themes in the literature relevant to this study: the history of clusters and critique of Porter’s (1990) cluster concept, followed by common themes arising from the concept and related terms, as well as their challenges, shortcomings, strengths and weaknesses in research and in policy. A view to understand the gaps in literature and empirics related to shared economic and social value creation together was considered; this study aims to address these gaps through the development of the CLSV framework. For example, while there has been research on CSR specifically in developing country clusters, most cluster initiatives and research is focused on developing country clusters and economic development, unless social causes (e.g. poverty reduction) are listed as the specific goal.

Aligned with this, in developed countries, fewer studies exist related to CSR practices and focus primarily on regional economic benefits of clustering, representing a gap in the literature. As aforementioned in the literature review, research on SME clusters related to *both* economic and social value creation, not just economic value creation or the benefits of CSR practices in them separately, is yet underexplored (Testa, Battaglia, and Bianchi, 2012), further justifying the choice of an SME cluster to lessen this gap.

Another gap in the literature identified is the lack of conceptual clarity in the cluster concept at research, practice and particularly policy levels, creating confusion for academics, policy makers and practitioners alike. This study will use Malmberg and Power’s (2006) first three criterion of clusters, as it is the most succinct related to purposefully formed clusters and the general cluster concept in terms of strengths and unambiguity. This definition, which focuses on self-awareness among cluster participants, joint policy action, collaboration and competition, by using CoP theory as a lens and the framework of CLSV, aims to address the gaps in theory and literature related to shared economic and social value creation.

CSV was explored, as well, with a view of its critiques (e.g. lack of empirical grounding related to non-supplier SME clusters and lack of theoretical grounding) in relation to social and economic value creation in clusters, as well as its lack of acknowledgment of its roots in strategic CSR and CSR other antecedents (e.g. Stuart Hart’s sustainable value concept). It is recognised here that while the CSV concept may potentially create shared economic and social value in clusters, without a clear theoretical framework, empirical evidence (i.e. not success stories chosen subjectively by Porter and Kramer), and conceptualisation of clusters in the literature and policy overall represent a challenge for research, policy and literature, a gap this study aims to address.

Lastly, and as was viewed as pertinent to be placed before introducing the CLSV framework, an in-depth review of CoP theory and its key tenets were considered. Thus, the following chapter will explain the CLSV framework, with justifications for the use of CoP theory, and further of Malmberg and Power’s (2006) cluster definition. A view to understand the specificities of SMEs, their impact on the framework and how the CLSV framework builds on strategic CSR to legitimise the CSV concept as a sub-field of strategic CSR. Additionally, how the CLSV framework treats social and economic development will be explained as well as the framework overall.

**Chapter Three: The Theoretical Framework for Cluster Shared Value**

**3.0 Introduction**

 In this chapter, the cluster shared value (CLSV) framework will be explained and illustrated to show how SME clusters, if operating as a community of practice (CoP), may create social and economic value, but not necessarily as the creating shared value (CSV) concept suggests. Importantly, the framework will illustrate how SME clusters can create shared value, through the lens of CoP theory, can be justifiably linked together and explained.

In developing the framework, the primary research questions are considered. The first being: Can SME clusters create shared value and if so, how? Synthesised together in the framework, the second primary research question is considered: Can SME clusters be considered a community of practice (or an adaptation thereof) and how can they potentially facilitate shared value creation as a cluster? CoP theory remains the primary focus for framing CLSV, with a view of how this may create or potentially lead to shared value creation in a cluster.

 Porter and Kramer (2011), as aforementioned, suggest that shared social and economic value is created by identifying and addressing social problems that would provide their business with the most economic benefits, creating measurable business value using this management strategy. The CSV concept is underexplored related to SME clusters and lacks theoretical and empirical grounding to support its success stories, as also aforementioned, reliant heavily on success stories from their Porter and Kramer’s own consulting work using supplier clusters serving larger MNCs. Proposed here is the CLSV framework, applied to SME clusters that are not necessarily related to larger suppliers, renamed CLSV using CoP theory as a lens to address this theoretical gap in the CSV concept.

 Essentially, CSV suggests that shared value isintentionally, purposefully and created directly by companies choosing the most effective social initiatives that will maximise profits simultaneously, as a form of strategic CSR, though they do not acknowledge it an antecedent of the CSV concept. Further, they ignore the specificities of SMEs and barriers SMEs may face in social and economic value creation and engaging in strategic CSR.

 The structure of this chapter is as follows: the next section considers specificities of SMEs and barriers they may face in practicing CSR in comparison with larger firms, followed by a conceptualisation of how social and economic value are defined in accordance with the CLSV framework. A justification of the use of CoP theory related to strategic CSR and CSV, as well as the use of Malmberg and Power’s (2006) definition of clusters, will subsequently be considered. Lastly, the proposed CLSV framework will be illustrated and explained to conclude the chapter, linking CoP theory to the CLSV framework.

**3.1 Addressing the Specificities of Small to Medium Sized Enterprises and Corporate Social Responsibility Practices**

 The unique characteristics and specificities of small to medium sized enterprises (SMEs) makes it difficult for them to adopt larger firm strategic corporate social responsibility (CSR) practices. They are heterogenous in size, management style, resources and personal relationships. (Jenkins, 2004) Thus, attention needs to be paid to how SMEs implement CSR practices and how these differ from larger firms (Kechiche and Soparnot, 2012). A critical difference between SMEs and large firms lays in their ownership and management structures; SMEs do not separate these two to the same extent as in larger multinational firms (Spence and Rutherford, 2003).

 Further, due to their ownership structure, control often remain in the hands of SME owners, so that they may potentially make more personal choices about allocation of resources (Spence, 1999). The same, arguably then, can be applied to their CSR practices; adaptation and acceptance can be decided largely by the personal attitude of the owner and/or manager (Davies and Crane, 2010, Perez-Sanchez, 2003).

 Additionally, as compared to larger firms, SMEs often confront a unique set of barriers regarding the level of CSR they are able to practice. For example, financial concerns are often paramount for SMEs; they often struggle just to survive, while dealing with different stakeholder pressures, and serve local, rather than global, markets (Massoud, 2010). They are often unable to pay employees competitive salaries and have limited resources to invest in training or professional recruitment (De Kok and Uhlaner, 2001). Time and financial constraints may also play a role in an SMEs’ ability to engage in CSR strategies and practices, as employees are actively engaged in their respective roles and unable to dedicate more time to CSR. These factors may all impede their abilities to organise and implement CSR strategies. Developing extensive strategic CSR plans is simply not practical or as possible, as CSV suggests, for SMEs.

 SME owners and/or manager’s relationship to local authorities is often closer and more direct than that of larger firms (Longo, Mura and Bonoli, 2005) making them arguably more sensitive not just to the economic needs of their region (e.g. in the regionally based cluster), but importantly, they are also often embedded in the communities they operate in and share the same social worries and results as their employees, families and customers (Vo, 2011). To that end, SMEs often practice positive social activities in their communities because it is “the right thing to do” (Jenkins, 2006), not as a business plan with chosen initiatives that will give them positive economic impacts, particularly if they are already embedded in their communities, contrary to CSV’s notion of geographically detached MNCs creating economic and social value in their supplier clusters.

 Lastly, SMEs’ CSR initiatives and motives often take on different forms than those of larger firms (Jenkins, 2006, Kusyk and Lozano, 2007, Lepoutre and Heene, 2006). The have lessened ability to report CSR practices, have less formal CSR strategies due to their organisational and management structures, and have fewer resources to practice CSR (Graafland, Van De Ven, and Stoffele, 2003, Perrini, Russo and Tencati, 2007, Spence and Lozano, 2000), arguably due to the barriers they face discussed above (e.g. time, labour and financial constraints). SMEs are more likely to be engaged in CSR activities in their local community by supporting local events, job creation, providing innovation (Jenkins, 2006) and creating economic growth (Wennekers and Thurik, 1999).

 As the specificities of SMEs and their approaches and barriers to CSR, and in turn shared economic and social value creation have been considered here, it is now pertinent to address how social and economic value creation are defined for the purposes of this study to help guide the CLSV framework.

**3.2 Social and Economic Value Creation in the Cluster Shared Value Framework: Links to Strategic Corporate Social Responsibility**

 This section discusses the links between the literature on strategic CSR that discusses economic and social value, how this research understands these terms. The specificities of SMEs are also considered here and how they can be seen to have an impact on the practice of strategic CSR and the subsequent development of the CLSV framework.

 As discussed in the literature review, strategic CSR is essentially an approach to CSR wherein both social and economic value is created, through the fulfilment of philanthropic responsibilities that create economic benefits for a firm (Lantos, 2001). As a departure from the notions that CSR strategic is based on philanthropic actions that lead to economic benefits, CSV espouses the need to address specific social needs that will create economic benefits simultaneously, focusing on MNCs and supplier clusters. While these terms are arguably one-in-the-same, Porter and Kramer (2011) adamantly deny their roots in strategic CSR and represent a new way of thinking about social responsibility. However, it is evident that strategic CSR has provided a starting point leading to CSV.

 Based on the specificities related to SMEs compared to larger firms and strategic CSR practices and strategies, it is pertinent here to address *how* social and economic value creation are defined and conceptualised in the context of the proposed CLSV framework.

 Considering how economic value is created in the CLSV framework more specifically, economic value creation is seen in this study as occurring in two ways: as economic profit for the SMEs themselves, thus ensuring their survival in the long-term and thus contributing to regional economic development overall, the second way. Both ways contribute to an SME’s ability to create social value (e.g. by being able to expand and generate employment, taking on apprentices or encouraging other businesses in the region to start-up or being able to more feasibly participate in charitable activities in the communities in which they operate). Economic value creation, then, can be seen to create social value.

 Considering how social value is created in the CLSV framework, social value creation can be identified in various ways, which will hopefully be illustrated in the findings and analysis. For example, when SMEs engage with their communities positively to create positive social impacts (e.g. by participating in charitable events or other interactions with the community, such as educational demonstrations, open days and donations) this can in turn lead to support from their communities and customer loyalty, which can have a positive economic impact on them (e.g increased profitability).

 Thus, economic and social value creation in SME clusters is defined here as occurring indirectly; namely, economic value creation can lead to social value creation being indirectly caused by or resulting from one another and vice versa (i.e. social valuation creation leads indirectly to economic value creation. In other words, economic-level to social-value creation or social-value to economic-level value creation processes occur at indirect levels in the CLSV framework. Shared social and economic value is not a strategic plan to create shared value simultaneously, as the CSV concept espouses.

 As discussed in the previous section on the specificities of SMEs in relation to CSR, SMEs often focus on selling to local markets and participating in local social causes, as they are embedded in their communities and share similar social concerns. This can be aligned with both economic and social value creation. However, this does not occur simultaneously; customer loyalty and community support happen over time.

Thus, the specificities of SMEs (e.g. financial concerns or management structures) do not necessarily lend themselves easily to the practice of strategic CSR as in larger firms (MacGregor and Fontrondona, 2011, Spence and Rutherford, 2003); social value and economic value are created indirectly. While CSV provides insights as to how shared social and economic value creation can occur in clusters, it is also focused on larger corporations. The CLSV framework provides legitimacy to the treatment of economic and social value and how they be defined in SME clusters, as it considers that social and economic value are indirectly, not strategically, created but are nonetheless.

 The specificities of SMEs related to clusters that indirect economic and social value creation, in an non-purposeful manner unlike as in strategic CSR and CSV’s notion that they occur simultaneously with intent to create economic benefits, have a direct impact on the development of the CSLV framework. It is pertinent to note that the choice for this study of using Malmberg and Power’s (2006) definition of clusters will be important when choosing an SME cluster (or clusters) to study, as well as CoP theory, to apply to the CLSV framework.

The following section will now justify the use of CoP theory in the CLSV framework and how the underlying assumptions of the strategic CSR approach, and in turn its subfield of CSV, are consistent with CoP theory and in turn, the CLSV framework.

**3.3 Communities of Practice Theory and Cluster Conceptualisation Justified in relation to the Cluster Shared Value Framework**

 It is pertinent to address the justification for the use of communities of practice (CoP) theory for this study here in relation to other management theories considered. Contrasting with other theories, such as Elinor Ostrom’s collective action theories, collective responsibility theories, various institutional theories, actor-network theory, social capital theories, and social network theories, CoP theory provides a way to conceptualise how cluster actors interact and behave to create value between and within themselves dynamically, as opposed to treating them as a single collective, in the context of more rigidly defined institutional frameworks or using social mapping techniques. As aforementioned, CoP theory measures the *quality* of relationships, further, and not the *quantity* of them (Holmes and Meyeroff, 1999).

 Further to justify the use of CoP theory there are three core dimensions of Wenger’s (1998) of a community of practice, as illustrated in Figure Four. Namely, 1) mutual engagement with one another occurring and because of 2) their joint enterprise (i.e. their shared pursuits and common goals), leading to 3) a shared repertoire of knowledge to meet these goals and solve problems when meeting them. Here each are considered separately, with an understanding of SMEs and their unique specificities, and approaches and barriers to CSR practices, in the CLSV framework.

 Taken together as a cluster of SMEs, these three core dimensions can be described as such. Mutual engagement between SMEs can be viewed as occurring due to their geographical proximity, commonalities, and complimentary industries, that are engaged in both collaboration and competition. This notion is aligned with Malmberg and Power’s (2006) cluster conceptualisation criterion that they should be special agglomeration of similar and related economic activity, as emerged as a common theme within cluster literature. This is linked through local collaborations and competition in the same way. Joint policy action and self-awareness of the cluster participants as Malmberg and Power (2006) espouse in their cluster conceptualisation (of SMEs), can be considered as mirroring purposeful strategic CSR but not necessarily purposeful in the way larger firms approach it. However, if a cluster is self-aware and determined to develop together to create social and economic value for their region, as aligned with the tenets of CLSV, it can be seen as a form of indirect CSR as a result of their common goals. While this is not strategic CSR per se, the fundamentals of CLSV are the same as they lead to the creation of economic and social value.

 Despite the specificities of SMEs related to organisational and management structures in their approaches to CSR, social and economic value creation can be considered a common goal, or joint enterprise, that they are seeking to meet through mutual engagement, as they are often embedded personally in their communities in contrast to larger firms. While this is not purposeful strategic CSR, the pursuit of common economic and social goals may lead to shared value creation in the process, leading to economic and social creation, as a form of indirect economic to social value creation and vice versa, as aforementioned. The CLSV framework builds on strategic CSR in this way; it illustrates how the three core dimensions of CoPs can be seen as a way of creating an indirect form of CSR, leading to economic and social value creation.

 Figure Five below illustrates the CLSV framework, with the core three dimensions occurring of CoP theory between SME cluster actors (e.g. owners or managers), leading to indirect social to economic shared value creation and vice versa, occurring within the cluster itself. The arrows leading up to the boxes labelled “Social Value Creation” and “Economic Value Creation” boxes represent that the cluster aims to create both types of value creation indirectly. They are framed with an additional box to represent further their connectivity. Between the boxes, the dotted double ended arrows indicate the indirect nature through which social and economic impacts occur to create cluster shared value (CLSV), mirroring the nature of strategic CSR. Above the boxes, the words “Strategic Corporate Social Responsibility” represents that the fundamentals of the CLSV concept are essentially the same, indirectly, to create shared economic and social value, albeit at indirect levels. Lastly, the arrowed loops indicate that economic and social value creation feed back into the SME cluster as a CoP to strengthen the cluster in a continuous cycle. Thus, it is proposed that there is a cyclical nature to CLSV; as social and economic value are created, the SME cluster as a CoP is strengthened.

 It is also proposed that SME clusters engage in situated learning processes through these dimensions, in a dynamic, fluid social manner of learning amongst each other, not through the traditional classroom-based learning that may occur in corporations (e.g. the Microsoft “University”). Lastly, when considering the role conflict in a CoP, it could be argued that in a cluster, this takes place in the form of competition among firms. 

**Figure Five: The Proposed Cluster Shared Value Framework**

 As the framework for CLSV has now been introduced and explained, it is relevant to discuss the methodological approaches used for this study in Chapter Four, followed by the analysis and discussion chapters before the final conclusion chapter.

**Chapter Four: Methodology**

1. **Introduction**

The purpose of this chapter is to explain the philosophical paradigms used to guide this study, as well as the researcher’s own positioning in the UK context, including a discussion of the research design, methodological approaches used (i.e. the case study approach, participant observation and interviews) to collect data and an understanding of the access and sampling process undergone for the study. It is also critical to provide an understanding of how the data was subsequently coded and analysed, ethics, consent, trustworthiness and robustness of the data, and limitations and constraints of the study. It is important to note that throughout this chapter, justifications and rationales for certain choices made for the study are included.

**4.1 Philosophical Paradigms and Positioning**

Methodology forms the basis of any research undertaken, drawing on social and philosophical theories of science (Burrell and Morgan, 1979). Critically then, it is important that there is both coherence and consistency between the philosophical basis and the methodological approaches employed (Morse, Swanson and Kuzel, 2001). While it is outside the scope and purpose of this study to discuss in-depth all related philosophical paradigms related to ontological and epistemological perspectives, the following sections will provide a brief overview of relevant schools of thought within them. The ontology section is first introduced, wherein the researcher identifies the subjectivist approach used in this study, based on her personal perception of social reality, as opposed to the objectivist approach. Building on ontological perspectives, the following section will consider positivist and interpretivist approaches to epistemology, as well as associated inductive and deductive approaches to research. The deductive research approach was initially proposed in this study (i.e. through the specific two research questions and assumptions) to apply the initial CLSV framework, combined subsequently with inductive research processes that evolved through course of data collection to create the “clusters of practice” (CLoP) framework. This culminated in a mixed-method approach using deductive and inductive methods, informed by the subjectivist-interpretivist approach. Note that this will be further discussed later in this chapter when discussing semi-structured interviews, conducting them, participant observation methods and their subsequent coding processes. After discussing ontological and epistemological paradigms in the following section, a reflexivity section about how the researcher’s own perception of reality, beliefs and philosophical positioning have led her to make these particular ontological and epistemological choices for this study, providing justification for them in lieu of other perspectives. Please note again that the reflexivity section will be addressed in the first person as it expresses personal philosophies and perspectives of the researcher.

**4.2 Ontology**

Ontology can be defined as the philosophical branch that is concerned with the essence and nature of a phenomena’s existence (Duberley, Johnson and Cassell, 2012), related to articulating the structure and nature of the world and social reality (Wand and Weber, 1993). Ontological questions relate to whether the phenomenon considered “actually exists independent of our knowing and perceiving it – or is what we see and usually take to be real, instead, an outcome of these acts of knowing and perceiving”? (Duberley, Johnson and Cassill, 2012: 17)

In seeking the answer to this question about the form and nature of social reality, it is pertinent here to discuss the objectivist and subjectivist stances that broadly guide ontological perspectives (Easterby-Smith, Thorpe and Jackson, 2008). The objectivist perspective can be equated with realist assumptions about social reality and entities, wherein phenomenon is viewed as independent of social actors and “actually exists independent of our knowing and perceiving it” (Duberley, Johnson and Cassill, 2012: 17) as asked earlier. From the objectivist perspective, then, social phenomenon being researched is formed from an external reality to social actors, independent of their perceptions (Duberley, Johnson and Cassill, 2012, Saunders, Lewis and Thornhill, 2009).

Subjectivist[[2]](#footnote-2) ontological perspectives, alternately, consider “what we see and usually take to be real, instead, an outcome of these acts of knowing and perceiving” (Duberley, Johnson and Cassill, 2012:17). This perspective assumes that there is no definitive, objective social reality or perspective. Rather, the social world is created and projected by social actors contained within it, often not consciously by them. (Duberley, Johnson and Cassill, 2012) Subjectivism is grounded by the notion that beliefs and views are socially constructed in a constant state of flux and revision. Perceptions and meanings arise from social situations and the social actors contained in them, essentially. (Saunders, Lewis and Thornhill, 2009)

In this study, the ontological approach taken is that of a subjectivist approach, which will be discussed more in-depth in the researcher’s reflexivity section on her own personal philosophical paradigms, to provide a rationale for this stance. Building on this ontological approach, the following epistemology section explores the interpretivist approach, more commonly associated with subjectivism and qualitative research, and the positivist approach, more commonly associated with objectivism and quantitative research (Hesse-Biber and Leavy, 2011).

**4.3 Epistemology**

Epistemology can be defined as the way in which the researcher believes they extract knowledge about the world. It establishes the kinds of knowledge the researcher views as possible and decides how knowledge can be considered as both legitimate and adequate. (Lewis-Beck, Bryman and Liao, 2004) While there are many strands to epistemology, the two fundamental stances most commonly used in management studies are that of positivism and interpretivism (Fisher, 2010).

Further, there are arguably two ways in which knowledge can be most effectively attained: through inductive or deductive processes. Inductive processes are based and analysed on findings collected from empirical data, whereas deductive processes are taken from perceived logical hypotheses that are tested against a proposition or theory to prove if they can be viewed as correct. (Hyde, 2000)

Commonly informed by the ontological stance of objectivism, the positivist researcher views knowledge as more ‘scientific’, aiming to be as detached and as objective as possible. They aim to develop generalisable rules or objective truths about reality and the world around them. (Saunders, Lewis and Thornhill, 2009) As a result, positivism commonly employs a deductive approach to research. It develops a firm hypothesis to test a theory or proposition before data collection (as is common in science) and is normally associated with quantitative methods. (Mukherji and Albon, 2009)

Commonly informed by the ontological stance of subjectivism, the interpretivist assumes that reality is understood through social constructions (e.g. language, shared meanings and consciousness, regardless of whether this reality is a given or socially constructed) (Myers, 2004). The interpretivist believes that to understand the world, they must interpret it themselves, essentially (Schwandt, 1994). The interpretivist stance is usually supported by an inductive approach to research, wherein a theory or modified version of a theory can be the outcome of the research’s finding and observations, in contrast to deductively testing a theory using a hypothesis for potential revision. As interpretivists are more concerned with studying human interactions and the world to develop a richer understanding of the meanings behind actions and events, inductive interpretivist epistemological approaches are commonly linked with qualitative research methods. (Hesse-Biber and Leavy, 2011) This study is based on the subjectivist ontological and interpretivist epistemological approach, using both initially deductive research methods, from which emerging inductive methods occurred.

As the relevant philosophical schools of thought that surround ontology (i.e. objectivism and subjectivism) and epistemology (i.e. positivism and interpretivism) have now been explained, the following section will now consider the researcher’s own philosophical paradigms, discussing and justifying the schools of thought that were applied to this research, as well as the deductive and subsequently, inductive research processes that were used. As aforementioned, this section will be addressed in the first person.

**4.4 Reflexivity on the Philosophical Positioning of the Researcher**

Reflexivity is essentially the process wherein the researcher considers and is conscious of their role in affecting their research and awareness of how they influence its processes and outcomes continually (Haynes, 2012). In this section, I will discuss my personal beliefs and assumptions towards how social reality, human behaviour and interactions are constructed and interpreted. In turn, these beliefs are what have formed the methodological basis for this research and will be justified as such.

This initially predominantly deductive study, mixed with inductive methods as it evolved during data collection, was based upon a subjectivist interpretivist perspective using qualitative methods. I believe that the construction of social reality cannot be objective, whether a deductive or inductive research approach is used. Human behaviour situationally and contextually plays a role in social actions, necessitating an understanding that people act empathetically (or in some cases, insensitively) and do not act independently. In Peter L. Berger and Thomas Luckmann’s seminal 1967 book about the construction of social reality and of knowledge, *The Social Construction of Reality: A Treatise in the Sociology of Knowledge*, they note:

“The world of everyday life is not only taken for granted as reality by the ordinary members of society in the subjectively meaningful conduct of their lives. It is a world that originates in their thoughts and actions and is maintained as real by these”. (Berger and Luckmann, 1967: 33)

If this is taken to be true, then social reality and knowledge are indeed subjective. In line with my personal beliefs, how knowledge and reality are perceived also varies by individuals:

“What is ‘real’ to a Tibetan monk may not be ‘real’ to an American Businessman (sic). The ‘knowledge’ of the criminal differs from the ‘knowledge’ of the criminologist. It follows that specific agglomerations of ‘reality’ and ‘knowledge’ pertain to specific social contexts, and that these relationships will have to be included in an adequate sociological analysis of these contexts”. (Berger and Luckmann, 1967: 15)

During the course of my fieldwork, I sought to understand how my own thoughts and actions have shaped my own social reality and how this might affect my opinions of what I saw and experienced during my fieldwork. To attempt this, researchers that engage in participant observation and conduct interviews practice reflexivity. As the term suggests, reflexivity is a researcher’s aim “to explore the ways that a researcher’s involvement with a particular study, influences, acts upon and informs such research” (Nightingale and Cromby, 1999: 228). My perception may have been different from participants, particularly given the differing country context of the study (the United Kingdom) from my home country (Canada); it has been important for me to understand how this may have affected the study. Although they are both Western contexts, considerations of the social and economic impacts on and shared value creation in SME clusters and their communities is not always the same for all clusters in both countries, as their needs may differ (e.g. in Canada, the social needs of indigenous groups may differ from those of impoverished towns in the UK). This also applies at an industry level – SMEs in the food and drink industry may have very different needs than those in the automotive or steel industries.

My beliefs in subjective reality have also led to my understanding of the economic and social needs of SME clusters and their communities using a qualitative approach. Cluster related studies that focus on quantitative data and economic statistics seek to understand their impact on regional economic development. While they may be considered more objective, I do not feel this is an accurate way ascertain the social and economic impacts of cluster-based SMEs, as quantitative does not capture the *actual* social reality faced by individuals. Numbers and quantitative data do not consider the numerous, complex social, economic and political factors at play to provide an accurate measure of social and economic impacts and constraints faced by SMEs. These factors cannot be quantified statistically, in my personal view; the participant observation and semi-structured interview methodological approaches used were able to consider these factors more effectively. These approaches provided me with the opportunity to develop relationships with my interviewees over a three-week period (Late November to early December 2015) as well as partake in participant-observation of cluster activities over time (November 2015 through to February 2016) that may otherwise not be possible. Even outside of these periods, I was able to freely communicate to participants with any follow-up questions I had. Moreover, my undergraduate degree in anthropology has heavily influenced by my desire to deeply understand the lived experience encountered by individuals and communities.

Building on my views on the subjectivity of social reality, the interpretivist approach has been used for this study. I believe that it is not possible, even in positivist research, to remain objective. Arguably, there is no such thing as a positivistic deductive process. Deductive researchers may be influenced by previous studies when generating hypotheses and analysing empirical data and moreover, use theories that have been created through inductive processes used with other studies’ empirical data. (Hyde, 2000) Notably, while inductive research often has a theory as its outcome, it can be used to “modify theory to add meaning or understanding to a particular scenario or issue” (Pemberton et al., 2012: 39). I started with a deductive approach, namely to test the CLSV framework using CoP theory as a lens, using a set of protocol interview questions based on the three main tenants of CoP theory. As the interviews progressed and during the participant observation processes, this became a more mixed-methods approach, inductively leading to the emergence of CLoP theory in the CLSV framework. I developed the hypothesis that the CLSV framework could be applied to a cluster, as related to my first research question: Can SME clusters create shared value and if so, how? It was initially proposed that acting a CoP through mutual engagement, a joint enterprise and the development of a shared repertoire CLSV would ultimately be created in this deductive approach. Research question number two: Can SME clusters be considered a community of practice (or an adaptation thereof) and how can they potentially facilitate shared value creation as a cluster, was also considered deductively initially. Influenced by my subjectivist interpretivist approach, the interview and coding process led me to different themes than I had initially anticipated during the deductive process of developing the CLSV framework. Subsequently, the proposed CLSV framework led to an adaptation of CoP theory into CLoP theory, a modification from my original proposed CLSV deductive, hypothetical framework that emerged through inductive reasoning and a departure from the initial deductive reasoning. Hence, a mixed approach of deductive and inductive methods was applied.

I also did not assume that the relationships in CLoPs exist exclusively within the boundaries of the cluster alone. Outside of CLoPs, cluster actors engage with external CoPs that affected their business models (e.g. within their communities and families). While I considered them to understand how these external CoPs may have affected the SMEs interviewed and their roles in the CLoP, as they are important, in-depth consideration of them is outside the scope of this study. However, I do believe it was important for me to consider other aspects and surrounding external factors that affect the SMFDG members to some degree; they do not operate in a vacuum, rather in conventional communities or communities of practice themselves.

I also feel that it is entirely possible that biases can occur when developing deductive hypotheses, guided by pre-conceived notions of what the results might be. For example, a doctor conducting a drug experiment may already have preconceived notions and beliefs about its effectiveness or specific side effects before testing it and develop their hypothesis to suit this. Further, after their data has been collected, it must be interpreted by researchers to prove or disprove their hypothesis. I do not feel that there is a guarantee every researcher will interpret positivist data in the same way, hence using a mixed deductive and inductive approach ultimately, as explained above, is justified. In this case of this study, referring to the statistics related to the SMFDG’s that report positive economic growth, one researcher may say those are skewed as there are both affluent and impoverished regional counties in the region. Another researcher may say its proves the success of the SMFDG and the region for the food and drink sector.

In sum, the subjectivist interpretivist approach is not only suited to qualitative studies that seek to understand social reality and knowledge as constructed by individuals, not independently of them as objectivism suggests, it is also in line with my personal beliefs. If the approach were not, I undoubtedly would have decided to measure the potential for shared economic and social value creation in an SME cluster (the SMFDG in this case) using quantitative data to test my hypothesis based upon whether financial metrics illustrate the creation of shared social and economic value.

As I have now clarified and justified the philosophical paradigms and approaches that guided this research in relation to my own subjectivist interpretivist personal beliefs, it is pertinent to justify my choice of the food and drinks industry in relation to Porter’s (1990) diamond model related to SME clusters that guided this study.

**4.5 Justification for the Use of a Food and Drinks Industry Small to Medium**

**Enterprise Cluster**

 This section will discuss why a food and drinks enterprise cluster was chosen in light of Porter’s (1998) diamond model framework (see Figure One, Chapter Two, ‘Looking Outside-In: Social Influences on Competitiveness’ for reference) and deemed a suitable industry for the study.

 To reiterate, the diamond model can be viewed as a key driver to encourage cluster development and contains four key interconnected aspects that emphasise a geographic concentration of related and supporting industries (i.e. a cluster) wherein the other activities within the diamond model can be manifested and advanced. The four aspects are as follows and will be more discussed more in-depth in the following paragraphs:

1. Related and supporting industries;
2. Local demand competition;
3. Factor (input) conditions;
4. Context for firm strategy and rivalry.

 Each aspect will be considered here separately, and related to the SME food and drink industry, with their specific relationships to clusters, to provide justification for this specific industry to be used for this study. The first aspect listed involves related and supporting industries and considers the local availability of supporting industries in relation to the availability of local suppliers, access to firms in related fields and specifically references the presence of clusters instead of isolated industries. This aspect represents the essence of the SMFDG cluster in and of itself and the industry conditions needed to create one. Considering the choice to research the SMFDG food and drink cluster, the availability to contact local regional suppliers, in related and supporting industries was very easy for the SMEs, particularly as many members attend the cluster organisation’s meetings, similar related events or food fairs, as well as access to firms in other fields (e.g. food producers at the SMFDG’s quarterly meetings were easily able to meet up with other producers who provided advice or contacts on firms to address about labels or packaging). In addition, their annual directory offers members a chance to reach out easily to other members to collaborate and their availability to them.

 Further, the SME food and drink industry provides low barriers to entry, making it easier for individuals or small businesses to enter the market. For example, many members of the SMFDG started out operating in their own homes and continue to do so (e.g. home baking businesses and farmers interviewed); setting up businesses has been made easier for owners this way, in particular cases where they became redundant from their previous employment. Taking a one-day commercial cheese making course or baking classes, for example, can provide budding SMEs the chance to start up. This considers the second aspect of Porter’s (1998) diamond model; namely, local demand conditions. Related to food and drink industry, SMEs can thrive alongside larger supermarkets if the demand for locally sourced products is there within their supply chains and amongst consumers. This latter was seen to be increasing among the communities wherein the members of the SMFDG operate; there is an increasing demand to support local businesses and consumer base, interviewees predominantly reported.

The third aspect of the diamond model is concerned with factor (input conditions) and the presence of high quality, specialised input to firms (e.g. universities and research institutions). Within the SMFDG, members have access to training through workshops and in meetings; alternately, some participants are active in teaching at local colleges. Their businesses have the support of the SMFDG and its members to provide advice and mentoring. Further, SME owners do not necessarily require high quality, specialised inputs from firms if they can engage in these types of training.

 Lastly, the fourth aspect of diamond model relates the context for firm strategy and rivalry. This aspect considers the rules and incentives that govern competitions (e.g. absence of trade barriers, fair and local competition). While competition was certainly existent among the members of the SMFDG, there was also co-opetition and many niche businesses, allowing them to collaborate and trade.

 In sum, in can be said that all four aspects of Porter’s (1998) diamond model can be related to the SMFDG in varying levels and are interconnected as the model suggests. It is also pertinent to note that the researcher was attracted to the food and drink industry, as discussed in the introductory chapter, because of her own personal experience with SMEs, previous employment in the food and drink industry, and the potential for the sense of togetherness to create shared value through collaborative efforts and support for their community that mirrors her own hometown. The core ethos of the SMFDG was highly influential as the final choice for this study as result of this latter potential.

**4.5 Research Design**

Often, quantitative research focuses on using specific techniques to test hypotheses, with a consideration of statistical data, explicitly scientific or numeric data. On the other hand, qualitative researchers are focused on finding and interpreting meaning from their data. Specifically, they are interested in “the social meaning people attribute to their experiences, circumstances, and situations, as well as the meanings people embed into texts and other objects” (Hesse-Biber and Leavy, 2011: 4). When developing CLoP theory from the initial deductive approach used to apply the original CLSV framework, guided by CoP theory, and considering the four potential mechanisms of shared value creation that emerged from the data (i.e. collaboration, community identity and pride, industrial upgrading, and attitudes towards competition related to community identity and pride), these factors related to social meaning were considered at the qualitative level.

To understand how the aims of the study were met, it is important to outline the research design here. This research design illustrates the overall strategy used, specifically related to how disseminating the findings of data collection was planned and considers the specific techniques, instruments and methods that were used.

The research design is illustrated below, with reference to specific aims set out and how they were achieved related to the two primary research questions.

|  |  |
| --- | --- |
| Research Question One 🡪 |  Can SME clusters create shared value and if so, how? |
| Research Question Two 🡪 | Can SME clusters be considered a community of practice (or an adaptation thereof) and how can they potentially facilitate shared value creation as a cluster? |
| Aim 1) To enhance the social and economic relevance of the creating shared value concept using communities of practice (CoP) theory. |
| * Methodological/research tools used to accomplish this aim: literature review on clusters, their strengths, weaknesses and common themes, CSV and its critiques, its links to strategic CSR, identification of gaps in the literature and research and an in-depth discussion of CoP theory, with reference to links between strategic CSR and clustering. Careful reading of several theories led to the deduction that CoP theory is the most applicable choice.
* Proposed a new framework of cluster shared value (CLSV) using CoP theory as a lens.
 |
| Aim 2) To empirically investigate in a UK region whether and how SME clusters can potentially create economic and social value for a region.Aim 3) To use qualitative techniques to gather this data. |
| * Methodological/research tools used to accomplish aims: England-based local enterprise partnerships with identified cluster initiatives, various cluster-based organisations and hubs (e.g. medical and technological) were phoned and emailed to identify participants for the pilot study and the cluster for the main study, the SMFDG.
* Data to carry out this empirical investigation was gathered through participant observation and interviews on SME sites at the primary level. Extensive field notes and pictures were taken. Pilot study interviews were conducted via telephone.
* Secondary data on the SME participants was gathered in advance of interviews to tailor interview questions asked (e.g. on social media platforms and their business homepages).
 |
| Aim 4) Lastly, to demonstrate the methodological, theoretical, empirical and practical implications of the development and application of the CLoP framework.  |
| * Methodological/research tools used to accomplish aim: Completed after data collection, interviews were transcribed and manual coding techniques and NVivo software were used to respond to this aim, culminating in the analysis and discussion chapters.
 |

# Table Four: Research Design

The research design has now explained the aims of the study, methods and approaches used to meet them in relation to the two primary research questions. It is now pertinent to address in-depth the process used to gain access to participants, events and the SMFDG, as well as the interviewees for the pilot study

.**4.6 Access and Interview Process**

As discussed extensively in the literature review, Porter’s conceptualisation of clusters is ambiguous and unclear as to what the boundaries are regarding geographic and industrial proximity of cluster-based firms and institutions. As will be considered further in the analyses and discussion chapters, the researcher chose to enhance the definition of an SME cluster as being located in the same *region* (as identified by government and policy makers), aligned with the common association with clusters that they create regional economic development. Additionally, the second consideration when choosing a cluster builds on Malmberg and Power’s (2006) notion that a cluster should be self-aware and purposefully formed.

As a starting point, local enterprise partnerships (LEPs) based in England specifically were researched. Of the thirty-nine in existence at the time (August 2015) nearly all were identified as having cluster initiatives to stimulate regional economic growth. Further, various purposefully formed cluster-based organisations in different industries were identified (i.e. that linked geographically proximal businesses together from the same industry, as with the SMFDG, in fishing and agriculture as examples), as well as medical parks and innovation hubs. While the latter two may not have a specific cluster-based organisation, they are contained buildings or complexes with similar businesses that could be considered as clusters. In total, the researcher contacted approximately 70 potential case studies, from LEPs, purposefully formed cluster-organisations and groups of businesses in the same geographic area that could be considered a cluster such as the aforementioned medical parks and innovation hubs in England, UK.

Following this, one month of calling and emailing to the aforementioned bodies was carried out, with research done on each prior to each call on their specific cluster initiatives, as a full-time commitment to gaining access. Various cluster organisations sent out emails on the researcher’s behalf to their constituents. This rigorous process led to four potential interested cluster-based organisations; however, one said it would be unlikely to find enough participants, another appeared to be a part of it for promotion of their organisation – however, from the latter, the two pilot study interviewees were contacted. The third potential cluster, although suitable, could not accommodate the time frame requested. The SMFDG’s offer to participate was accepted and a meeting with the CEO was set up (October 2015). Access was also granted to their first annual food and drink fair, quarterly meeting, the Food and Drink Awards, and food strategy board meetings throughout the course of data collection and analysis.

The CEO, to start the data collection process, suggested that the researcher attend the SMFDG’s annual food and drink festival the following month (November 2015) to gain participants. This was successful; fifteen of the approximately twenty stall holders agreed to participate in the study.

Following this, a blanket email was sent out to all the firms listed in the directory, which numbered approximately 120 at that time, reaching out for potential participants. Eleven responded positively. Further, the CEO (also interviewed) linked the researcher with the SMFDG’s head communications person, the business director for the LEP, a local councillor and the principal of a local farm college. All interviews were subsequently carried out on-site (Late November to early December 2015), with two taking place over the phone (January 2015). As the process of gaining access to interviews and events has been explained, the following sections will discuss the research methods used with justifications for each.

**4.7 Research Methods**

The following sections consider the methodological approaches that were used in this study - namely, semi-structured interviews, participant observation and the single case study approach and the justifications for these choices. It is pertinent to mention that while the analysis is based on primary data, secondary data was used to develop the interview questions on a case by case basis by researching their company websites. Notably, all participants’ SMEs had business websites. Facebook, Instagram and Twitter accounts, where available, were also looked at to guide the interview questions.

**4.7.1 Semi-Structured Interviews**

Stemming from the subjectivist, interpretivist philosophical stance commonly associated with qualitative studies, and the researcher’s own beliefs, semi-structured interviews were chosen for this study. Semi-structured interviews are regarded as the most common type of interview, as they allow for flexibility in the number of questions asked and adaptations of questions as well as question order depending on the interviewee (Rowley, 2012). For these reasons, they were chosen as the preferred interview form for this study. They allowed for the researcher to engage with participants on a more personal level, as opposed to other approaches such as questionnaires, focus groups and surveys. Interview questions were based on socially responsible activities participants engage in that can potentially lead to economic benefits (e.g. employing women offenders to work in a bakery/café), their involvement with the SMFDG and benefits of being part of them as a cluster-‘based organisation, and inquiries about their economic growth and barriers they have encountered as small businesses. Each participant was requested to give approximately 30 minutes of their time.

To prepare for the interview process, the researcher set up a basic template of indicative interview questions to ask (please see Appendix B). The initial questions were developed aligned with the two primary research questions, related to the three main tenets of a CoP (i.e. joint enterprise, mutual engagement and shared repertoire), aligned with Malmberg and Power’s (2006) definition of clusters (i.e. as a spatial agglomeration of similar and related economic activity interlinked by relations and interactions of local collaboration and competition, with some form of self-awareness among the cluster participants and some joint policy action) and shared economic and social value creation. Additionally, questions about level of involvement with the SMFDG, in their communities (e.g. socially responsible activities) and struggles they have an SME considering the specificities and barriers they face were added to the template after gaining access to its members, more specific to the SMFDG cluster.

Unlike structured interviews with set questions, each interview had its own set of questions drawn up to cater to the individual business based on secondary research from their social media channels (e.g. “On your website [or through other interviewees, the snowball effect took place], I noticed that you work closely with…”, “I noticed that you have won a Food and Drink Award, do you think that has benefited your sales…”, “You take part in a lot of farmers’ markets, can you tell me more about that…”, “How often do you attend SMFDG meetings…”, “Do you feel that being part of SMFDG has benefited your business…”,”Can you tell me more about your work in your community…”), to allow for a greater understanding of how each SME engages in shared economic and social value creation and their level of participation with the SMFDG. The interviews from the pilot study also guided the types of questions asked; these were adapted accordingly (please see the limitations and constraints section for more detail). As the interviews went on, the researcher asked and observed first-hand that many businesses were expanding or running out of space, hence why industrial upgrading emerged as a predominant mechanism of shared value creation.

The SME owners and/or employees were interviewed for a few key reasons. Firstly, because they responded positively at the food festival, SMFDG quarterly meeting and via email contacts gathered from the SMFDG directory to participate. In PhD research, access issues to organisations and participants can be difficult, it is pertinent to note and it was important the researcher ensured that each SME related participant was a member of the SMFDG operating within the region. The researcher ensured, as well, that were actively engaged with the SMFDG as core members of its community of practice or alternately, as peripheral or marginal members. This allowed for a wider picture of shared value creation within the SMFDG cluster organisation to emerge overall. In terms of participants that are not direct members of the SMFDG (e.g. the business development manager for the local enterprise council, local councillor and farm college president), they were chosen to give a broader perspective on the region the food and drink sector’s activities, its growth and their level of involvement in this (e.g. at an institutional or municipal government level). The CEO of the SMFDG and their communications director were chosen because they provided valuable insights and in-depth detail into the SMFDG its members and the organisation’s operations directly. They also gave in-depth information on future directions for the food and drink industry in the region and provided a wider perspective on interactions with the government and enterprise council.

To that end, please see Appendix C for a list of the 27 SME interviewees, their role in the company, business type, as well length and date of interviews, premises in which the interviews took place and the number of field notes taken. Included here is also the five interviewees affiliated with the SMFDG and their related profiles. Note that although there was often a thirty-minute time slot allotted, many extended far beyond this; additionally, field notes were taken extensively during tours of the premises or based on general observations during the interview. Further, Appendix D provides a more detailed description of the business structures, premises, number of employees, position in the sector/market, level of engagement with the SMFDG and the Food and Drink Awards and interviews in general for further clarification.

Interviews took place on-site in the during the lead-up to the holiday season, an incredibly busy time for SME members of the SMFDG, which lead to some participants politely declining participation in the study in the new year. However, while the researcher had anticipated that more interviews were going to be potentially conducted in the new year of 2016, upon commencing the analysis process, she realised that she had reached the point of data saturation, wherein new information was not necessary to address the research questions efficiently. Data saturation refers to the quality and quantity of information collected in a qualitative research study. It is normally defined as the point when “no new information or themes are observed in the data” (Guest, Bunce, and Johnson, 2006: 59). The amount of data collected was enough for the study; only two interviews (i.e. the salad dressing company employee, who was deemed important as they were the largest SME in the sample and the farm college principal, who provided context to the educational outlook in the region) were conducted by phone in the new year (January 2016).

Lastly, the researcher was conscious of the fact that while the SMEs involved in the study are part of the SMFDG as a cluster, academic terms such as “business clusters”, “communities of practice”, “shared economic and social value creation”, and “cluster shared value” may not have been understood by them. A conscious effort was made to use language expressed in a non-academic manner that could be easily understood (e.g. instead of saying “cluster” or “actor”, the SMFDG was directly referred to and “actors” were deemed as “members”).

**4.7.2 Participant Observation**

Participant observation is the process in which the researcher interacts with individuals in everyday life to collect information, to understand the rich, conflictual or harmonious, and diverse feelings, experiences, thoughts and activities of human beings (Tainter et al., 2015). The participant observation method was chosen because it allows for a more “outsider” approach [as opposed to the “insider” approach commonly associated with ethnographic methods] and loans itself to further generalisability to be applied to future studies (Jackson, 1993), It allowed the researcher to be a “part” of the events as opposed to being directly immersed within them. Along with semi-structured interviews, the researcher attended four events wherein the process of participant observation was engaged in. The initial event attended was the SMFDG’s annual food and drink festival to garner participants for the study (October 2015). Subsequent participant observation took place at an SMFDG quarterly meeting (November 2015), then a food and drink strategy board meeting (February 2016) and the last participant observation event was at the SMFDG’s Food and Drink Awards (November 2016). The dynamics of each event were varied, which provided a greater perspective as to how the SMFDG operates as a community of practice and how the members interact with each other.

The SMFDG quarterly meeting took place informally at a café and involved opportunities for businesses to showcase their products and connect with other producers and/or stockists, with updates from the SMFDG staff about available training and upcoming events. The food and drink strategy board meeting was far more formal and involved councillors speaking, presentations from different businesses about the greater sector and took place in a large hall. While the quarterly meeting gave the chance to understand how the businesses interact with one another informally, the Food and Drink Awards combined both informal and formal elements. As aforementioned regarding the case study of SMFDG itself, invitations to the event are restricted to nominees and their partners, affiliated institutions, and members of the SMFDG. Everyone was dressed in “black tie” attire. Bearing in mind that free tickets were given to those nominated for awards that normally may have been out of their respective budgets, there were approximately three hundred people at this event; the mechanism of community identity and pride was highly evident here. The varied venues and levels of formality associated with each gave the researcher a wider perspective on how members of the SMFDG interact with one another. Notably, data was recorded through different meetings at each event, depending on the level of formality. Formal recordings and note taking during the quarterly SMFDG meeting may have made some SMEs uncomfortable, as many were likely unaccustomed to it. This meeting, as it was very informal, involved visiting and talking with the various SMEs there and taking notes afterwards. At the food and drink strategy board meeting, notes were taken during the various power point presentations from different businesses and during the question and answer section. Lastly, the Food and Drink Awards involved taking notes on the researcher’s phone and writing more notes the following day.

**4.7.3 The Single Case Study Approach**

 A case study is essentially an empirical inquiry that investigates a contemporary phenomenon in a real-life context, wherein boundaries between context and phenomenon are not evidently clear, and wherein multiple levels of analysis can occur (Yin, 1984). Eisenhardt (1989) states that case studies are a research strategy focused on understanding dynamics present in a singular setting and typically combine various data collection methods (e.g. archival searches, interviews and observations).

While there are multiple different types of case studies (e.g. comparative and multiple), this study employs the single case study approach. Perhaps the most prominent negative critique of the single case study approach is that one cannot generalise from a single case (Tversky and Kahneman, 1986), and therefore single case studies cannot contribute to academic research development (Flyvbjerg, 2006).

Contrary to this, it can be argued that single-case studies are instrumental in understanding an area of research or phenomenon that is under-researched or unknown (Tellis, 1997). They can be used to contest or support a model theory and demonstrate an exemplary or unusual case (Yin, 1994). Aligned with this, the single case study approach was chosen for this study as it does considers an under-researched area and phenomenon in management – economic and shared value creation in SME clusters – to introduce the CLSV framework and to subsequently support the CLoP framework, while contesting the CSV concept. Further, the researcher has developed the CLoP framework to be generalisable and applicable to other industries, as will be considered in the Chapter Eight’s discussion of the study.

Considering also, the time constraints placed on PhD research made a single-case study suitable for this study. It allowed the researcher to gain extensive access to the SMFDG as a cluster and at individual firm levels that may not have been possible if more than one case study was used, allowing for the development of a generalisable CLoP framework.

As the research methods used have now been explained and justified, the process wherein the data was coded and prepared for analysis is relevant to explain.

**4.8 Interview Coding Process and Participation Observation Data Use**

Following data collection of interviews, the initial following processes took place: multiple thorough reads of each interview, followed by lengthy and careful transcriptions of each. During this process, key concepts where established, followed by a first round of manual coding based on these (e.g. collaborations between businesses and level involvement with the SMFDG, events, perceived benefits of the SMFDG and barriers they faced as small businesses). Codes are commonly attached to phrases, sentences or paragraphs and is all-encompassing throughout a study (Basit, 2003), which the researcher found to be true.

 While the researcher’s indicative interview questions were led by CoP’s tenets, clusters, social and economic value creating activities and furthered tailored to the ethos of the SMFDG, specific themes began to emerge while re-reading the transcribed interviews, indicating a deductive to inductive process to the interviews. As aforementioned, industrial upgrading emerged as a common theme as the interviews progressed; the researcher identified this as an important aspect of economic and in turn, indirect social value creation. As the interviews were carried out, questions were tailored more around emerging themes. This is aligned with the initial deductive approach of set questions to more inductive ones, wherein they changed and variated from the original template. From here, the four mechanisms and sub-mechanisms of value creation were developed (i.e. collaborations, attitudes towards competition, community identity and pride, and industrial upgrading and/or expanision) as themes to look for when completing the first round of coding.

 With these themes in mind, the first round of coding took place manually, with related key words and phrases highlighted in different colours by the researcher. This proved to be very helpful, as both negative and positive elements of each theme began to emerge, as well as the sub-themes that evolved to become the mechanisms of value creation and their sub-mechanisms of social and economic value creation.

The second round of coding involved the use of NVivo 10 software, wherein the research carefully combed through the interviews again, and created umbrella “nodes”, essentially themes, for each one based on the initial round of coding, with related sub-nodes nested within them, to create a rich, searchable accessible data set. Please see Appendix E for print screens of different nodes, applicable to each mechanism of value creation identified and their sub-mechanisms. Note that some were subsequently renamed from the original coding to be more suitable for the study as they analysis was written (e.g. the node labelled ‘connections’ became ‘collaborations’ and the node labelled ‘incidents related to competition’ became ‘attitudes towards competition’). Please note that while other themes emerged from the coding, they were kept potentially for use in later research. While the manual round was very useful to reflect on the data and emerging themes or nodes, the use of NVivo 10 software allowed the researcher to compartmentalise each one more effectively.

During the analysis process, each theme was printed out individually as relevant for the study, as opposed entire interviews, and then pieced together manually to determine relevance and appropriate quotes, using the physical copies of the codes. Through using both manual and electronic approaches to the interviews, reading the transcribed interviews multiple times, correlated with fieldwork notes from participant observation at events and interviews, they illustrated the four potential mechanisms of value creation at play to be analysed as such. As examples, at the Food and Drink Awards, the sense of community identity and pride was clear, and at the SMFDG quarterly meeting, their ethos of buying and supporting local was evident. It is felt by the researcher that by using the multiple levels of approaches to coding interviews, combined with fieldwork notes from participant observations, she was able to gain a thorough, comprehensive perspective of her data, leading to a richer analysis.

**4.9 Ethical Considerations**

Ethics is derived from the philosophical Greek word *ethos*, meaning character or custom. Ethical behaviour represents behaviour accepted as morally ‘good’ and ‘right’ as opposed to ‘bad’ and ‘wrong’ (Simms, 1992). Throughout the research process, it was important to consider the participants’ sense of ethics, but also to be reflexive on the researcher’s own ethical stances. This represents a growing consideration and debate among management scholars, “to explicitly understand their own values, have increasing capacity of reflexivity and anticipate various ethical dilemma that emerge from the research endeavour” (Kakabadse, N.K., Kakabadse, A., and Kouzmin, 2002: 108)

While ethically it may be preferable that participants or interviewees sign a waiver or non-disclosure agreement, only verbal consent was taken for the interviews on audio recording, on condition of anonymity and the promise the data would be destroyed after the study completed. While all the interviewees agreed to be recorded, the formality of signing a document may have painted the study in a legalised way the participants were unaccustomed to engaging in. This has been problematic even in studies wherein senior managers are interviewed (Jeanes, 2016). Combined with being recorded, this may have overwhelmed some of the participants who had not taken part in academic research previously. One participant remarked that they had never been recorded and looked visibly uncomfortable at first, until a reciprocal conversation began between the researcher and interviewee, peppered with good humour. The researcher’s approach was informal and friendly (e.g. during one interview, one of the goats used to produce cheese grabbed fieldwork notes being written in her mouth and retreated into the barn with them, which led to the interviewee having to rescue them, subsequently leading to a highly comical result between them and another interview took place over a coffee and breakfast), as opposed to reading from a check list of topics to cover. The more informal approach and homey environments (e.g. not an office type of environment) likely led to increased levels of comfort to share more information during interviews with people who were usually not from a corporate background. In ethical terms however, the researcher also was keen to keep a professional approach, and while being friendly, not pretend to be a friend of the respondent. Thus, the researcher always made her role as a PhD student clear when talking with a respondent or potential respondent. This helped to mitigate issues of informed consent which may otherwise have arisen.

**4.10 Analysis Quality Considerations**

 It is pertinent in this section to discuss the trustworthiness, creditability, and robustness to illustrate that the research is of good quality. While there are other ways of illustrating that the data, such as Tracy’s (2010) eight “big-tent” criteria for excellent qualitative research, Lincoln (1995) suggests a model that compares itself to quantitative analysis on a more in-depth scale. Lincoln (1995) suggests that interpretive or qualitative research must be trustworthy, authentic, and credible in nature and develops a set of criteria to gage this in interpretative or qualitative research compared to quantitative or positivistic research:

|  |  |
| --- | --- |
| *Scientific Paradigm**(rigor)* | *Constructivist/Natural Paradigm**(trustworthiness)* |
| Methodological criteriaInternal validity(Coherence)External validityReliability(Replicability) Objectivity(Value freedom)(Reliance on method) | ParallelMethodologicCriteria(Extrinsic)Credibility(Plausibility)Transferability (Context-embeddedness)Dependability (Stability)Confirmability(Value explication)(Reliance on data) | Authenticity/ethicalCriteria(Intrinsic)FairnessEducative authenticityCatalytic authenticityTactical authenticity(Reliance on internal ethical system) |

# Table Five: Criteria for Assessing Rigor or Trustworthiness in Research (adapted from Lincoln, 1995: 277)

A meta-analysis of these emerging criteria for trustworthiness reveals that:

“… it would be quite clear that nearly all of the emerging criteria are relational, that is, they recognize and validate relationships between the inquirer and those who participate in the study. This monism clearly brings the inquirer and those whose lives are being questioned into the kinds of communal contact that are not possible in more traditional inquiry, which posits a detached observer’s distance between the inquirer and the subject of her inquiry”. (Lincoln, 1995: 278).

 To support the study, interviews were conducted with these criteria in mind. The focus on the recognition that the researcher was detached, although not early on as discussed in the following section and recognised by SMFDG group as a PhD researcher allowed particularly for the criterion of dependability, confirmability, authenticity, context-embeddedness, plausibility and authenticity to be met, ensuring the trustworthiness, credibility and quality of the data. However, there were limitations and constraints to be considered during research processes, discussed below.

**4.12 Conclusion**

This mixed methods (i.e. deductive and inductive) study engages in qualitative methods that can be ontologically considered as using the subjectivist approach, and epistemologically further built on to use the interpretivist approach. The views of the researcher – as illustrated in the reflexivity section, are aligned with these philosophical paradigms. The research design reflects these as well, as do the methodological approaches used and described. Namely, semi-structured interviews and participant observation techniques, and a wider understanding of the SMFDG using the single case study approach.

While initially the study was proposed to be deductively based on CoP theory, the data emerged to reflect the inductive CLoP theoretical framework to create cluster shared value (CLSV) more cohesively. The rigorous coding process engaged in from the interview data guided this process, as well participation observation experiences by the researcher. Ethical considerations regarding how interviews were carried out and events were observed.

Lastly, while there were limitations and constraints placed on the study due to time and access issues to more than one cluster overall, this research was carried out thoroughly with consistency in data collection, methods and assurance that the research is of trustworthy, credible and of good quality using Lincoln’s (1995) model.

The following two chapters – five and six – will analyse each research question separately followed by the discussion and conclusion chapters, seven and eight.

 Following the analysis chapters, the discussion will be divided into four key sections: 1) A comparative look at the differences between the CSV and CLSV, as with a view to understand the key empirical, theoretical, methodological contributions this study makes, as well as to the cluster concept and policy making, 2) The four potential mechanisms of value creation will be used to show how CLSV is created when clusters act as a CLoP, 3) The introduction of the original, revised theoretical CLSV framework and 4) How the barriers faced by SME clusters may have ultimately negative effects that could lead to the downfall of the cluster, even if they are operating as a CLoP.

**4.11 Limitations and Constraints**

During the fieldwork process, there were some limitations and constraints that occurred. Namely, time restrictions, unexpected delays and funds available may have affected the quality of the research. While the interview data garnered was extensive, it was conducted over a shorter three-week process. Ideally, a longitudinal study may have been more effective to track the cluster’s progress in terms of shared value creation. For example, it may have involved a deeper, more ethnographic approach to the study as opposed to participant observation. Also, it could be argued that a single case study approach is less effective than a comparative study of multiple cases. Time and access issues limited this, however, and the decision was taken to focus with greater depth on one case study rather than a more superficial comparative study. While the sample size could be considered small, the rigorous coding process and visits to various events circumvented that – in fact, it allowed for more time with each participant overall.

In terms of participants, it is also possible that they agreed to participate because they are socially responsible to their communities and given the basis of the study, they gave in some cases desired responses when asked (Crane, 1999). This was verified through secondary data from their respective websites, to check how they communicate support for their communities or use local products to ensure consistency and minimal bias. Additionally, the pilot study interviews helped to guide the development of the interview questions and were relevant to but not part of the main study. The pilot interviews were conducted with technologically based farming companies that create sustainable solutions for farming using new innovations. The interviews for the main study were not engaged in these types of processes, however. This led to re-framing of questions related to creating environmental sustainability processes, as these were the pilot study’s main business focuses. Once interviewing the smaller SMEs for the main study, while sustainability was important to some participants, the majority also had a strong community focus. Additionally, the participants of the pilot study were in stronger economic positions than most participants; questions were developed to understand the economic barriers (e.g. time, costs of starting up initially, customer base) more effectively for the main study. However, collaboration was important to both pilot study participants, and proved to be the for the SMFDG participants. However, as aforementioned, interviews were all geared to each participant in advance to ensure questions specific to their business activities were asked.

Additionally, it is possible that the presence of the researcher at attended events may have affected the participants’ behaviour in some ways. When engaged in an informal conversation with a few participants at once, they may have been more genial with each other and appeared less competitive. This occurred at the SMFDG meeting between two brewers; but, when interviewing one of them subsequently, they admitted that there is steep competition between them.

In terms of the researcher’s role during participant observation and the researcher’s first interactions with members of the SMFDG at their food festival and quarterly meeting, it is also possible – but particularly early on in the process – a bias was created, using too much of an “emic” or “insider” approach (i.e. also known as “going native” in layman terms) versus the “etic” or “outsider” approach. This was aptly pointed out to her by her supervisor during their meetings given the reference of the SMFDG in her dialogue as “we”, as opposed to “they”. Cognisant of this, personal attitudes were put aside to reflect a more “emic” or “outsider” approach to the study. Moving forward, away from the emic to etic approach that was subconsciously developing, the researcher ensured that interviews were conducted away from the emic approach. Albeit it was still in a less formal manner than a banking or financial cluster, for example, due to the nature of the participants (e.g. farmers and small farm owners), going forward she presented herself in a more direct, professional, academic fashion.

Commonly used as ethnographic terms, emic accounts are based on the view that behaviour should be described in terms of specific actors within cultures. Observations should avoid applying the researchers’ constructs. In the etic approach, behaviours and beliefs of actors can be described as constructs external to a single culture. These constructs can be applied equally as effectively to other cultures, or in this case, clusters, to aid in the generalisation of the CLSV framework to make it more applicable to other industries or clusters (e.g. SME clusters in cultural arts or textile industries), as it seeks to form a model of social and economic value creation (i.e. to apply the CLoP framework). In essence, etic accounts isolate cultural variables that are adapted from general causal models of specific behaviour (Morris et al., 1999). In the case of this study, the etic approach was preferably applied. The researcher was especially mindful of this during the analysis process and interview coding, identifying cases where she may have moved from etic to emic perspective inadvertently or vice versa.

The researcher’s own lack of knowledge regarding food and drink processes – although much was learned throughout – may have led to a lack of understanding regarding some of the finer details of the production processes (e.g. cider making or cheese making processes). However, the majority of the interviews began with an informal tour of the site, wherein the processes (e.g. or operations or production) were thoroughly explained as to how their products were made or premises were laid out. Field works notes were taken and detail was asked for or researched after the interview to counter this limitation. Lastly, as a qualitative, interpretive study, data could be recognised and analysed in different ways, by different researchers, creating a potential bias based on their own perspectives and knowledge.

As the philosophical paradigms, research design, research methods and approaches used, interviewing coding process, ethical considerations, analysis quality considerations and limitations and constraints have been explained, a brief conclusion to the methodology chapter follows before the analysis chapters are introduced.

**Chapter Five: Analysis One**

**5.0 Introduction**

 The purpose of this chapter is to present the initial analysis of the small to medium sized enterprise (SME) interview data gathered using the lens of the cluster shared value (CLSV) framework as a guide. It represents an analysis in response to the primary research question: Can SME clusters create shared value and if so, how? Here, this analysis chapter considers Porter and Kramer’s (2011) treatment of clustering to create shared value and supports the proposed CLSV framework. Four mechanisms that potentially create shared value emerged from the data that will be explained in further depth here: collaborations[[3]](#footnote-3), community identity and pride, attitudes towards competition, and industrial upgrading and/or business expansion (see Table Six) as well as the sub-mechanisms of each that emerged during the analysis process. All four mechanisms play a potential role in creating economic and social benefits for the participant firms in varying degrees, with potential negative impacts to be considered.

 This analysis chapter supports the CLSV framework. Porter and Kramer’s (2011) conceptualisation of CSV related to supplier clusters to larger firms and MNCs contrasts with the practice of purposely formed SME clusters not reliant on larger supply chains or firms, which lead to the development of the CLSV framework. As discussed previously, Porter and Kramer’s (2011) conceptualisation of CSV frames it as an intentional, purposeful strategic form of shared value creation that creates economic value for a business through choosing specific social initiatives. CLSV stipulates that value creation occurs not as a direct strategic plan, to create beneficial, maximal economic impacts through identified social initiatives by small firms. Rather, it was found that value creation can occur organically in SME clusters, at an indirect level through its members at through both economic-to-social and social-to-economic channels, but also at a more direct level as the SMFDG aims to create social and economic value as a goal.

At the individual level, SMEs create positive social impacts that can inadvertently lead to a positive economic impact for their firm, and vice versa. It is pertinent to address here that the firm level represents different firm sizes, from micro small to medium (MSMEs) to small to medium size (SMEs) enterprises, and individual entrepreneurs, as well as the larger regional macro-environment of the cluster. Additionally, that individual firms were recognised, not the entire cluster, is acknowledged. Future research agendas may be explored in this regard and will be further addressed in Chapter Eight. However, this finding represents a wider consideration of SMEs in clusters creating social value as a stand-alone business, which in turn can potentially create economic value, that emerged alongside as a contrast to CSV related to clustering.

Alternate to the CSV concept, there is evidence that positive social impacts can be indirectly caused through economic impacts (economic-level to social-level value creation) and at other points, the opposite occurs, and positive social impacts indirectly create positive economic impacts (social-level to economic-level value creation). These findings support the CLSV framework. At times, and contrary to the proposed framework, a singular economic impact has little to no social impact, and vice versa. This is further contrary to the notion that clusters necessarily also create shared value; it can be just economic, or just social value creation occurring at points Social and economic value creation can go occur both ways (see Figure Five introducing the initial CLSV framework, indicated by the dotted arrows between the two ways of value creation). As discussed in Chapters Two and Three, this can be viewed as an indirect form of CSR that mirrors the fundamental aspects of strategic CSR.

While there is a need for SMEs to be economically viable to survive, creating social value is also a key consideration and motivator for them. They are proud to be a part of the local food movement, to support local food businesses and to be part of the SMFDG. Every participant stated that engaging and helping the communities in which they operate – where many also live – is important to them. As Brewery Co-owner A put it: “Running a small business and being community focused, they have to go hand in hand. They just have to. I think that is part and parcel in a way”. Thus, while all participants engage in some form of activity that positively socially impacts their communities regardless of its economic impact on their business, it is at times to the economic detriment of their business (e.g. business growth and profitability). Barriers they face as SMEs (e.g. time constraints) can also affect their business and will be considered here in relation to CSV and CLSV. These barriers are identified related to each mechanism and its potential impact on CLSV. In the discussion, the links of these mechanisms will be tied to CoP theory for a more cohesive framework as a cluster of practice (CLoP), that connects all four mechanisms to a new theoretical contribution to SME clusters using the three main tenets of CoP theory (i.e. mutual engagement, joint enterprise and the development of a shared repertoire).

While the SMFDG’s SME members do contribute to the development of the regional economy, as aforementioned, they are driven by a desire to have a positive social impact on their communities as well. Hence, why every business engages in some sort of activity that has a positive social impact. This is part of the reason why the CEO of SMFDG agreed to allow access to the group – the formation of SMFDG was based on the desire to encourage existing and create new food businesses in a collaborative setting. Since the decline of other its other major industry and the 2008 financial crisis, the SMFDG’s region has been economically and socially impoverished. The SMFDG represents an avenue for businesses to grow, impact the regional economy positively and have a positive social impact on the community. As a grassroots cluster organisation, the economic and social value creation occurring between members and in their communities is reflected in their core ethos – to be collaborative in a like-minded setting, share ideas and support each other and their communities. It is important to them and their intentions are to do so. While the barriers identified may have an impact on businesses and the region economically and in turn CLSV, members do engage in activities at the firm level, as aforementioned, that are normally cost-effective that have a positive social impact. These may in turn lead to an indirect positive economic impact, as these activities can lead to increased reputational value, regardless of their membership in the cluster. The Farm Shop and Butcher Co-owner explained that they have paired up with a local school, wherein children come and have their own unnamed pig (to avoid creating personal attachments to them), that they can watch grow and understand the process of how meat can be ethically produced, and also have a community garden. Another example is that of training and demonstrations on-site and at the local farm college by the salad dressing producer and goat’s cheese producers, as well as open days on their sites. The Bakery and Café was built to support women recently out of prison initially, employing them and training them for other opportunities, which is appreciated by the community and customer base.

Aligned with Malmberg and Power’s (2006: 58) definition, that a cluster should be “a spatial agglomeration of similar and related economic activity; these activities should be interlinked by relations of and interactions of local collaboration and competition”, collaboration and competition emerged as related mechanisms of value creation from the data. This contrasts with Porter and Kramer’s (2011) notion that clustering will ultimately create shared value. Secrecy between members and new entrants to the cluster that create market saturation, actors leaving the cluster as they experience national or international growth can be barriers to creating shared value. In ways such as these, larger corporations cannot effectively dictate or control how the actions of the SMEs themselves can affect social and economic value creation.

Malmberg and Power (2006) also list a criterion for clusters that they recognise themselves as one and are determined to develop together as a cluster. Findings illustrate that SMFDG’s members’ views are aligned with this. As a cluster, the SMGDG are determined to grow together, support one other and collaborate within their SME network of local stockists and producers. The CSV concept implies that shared value initiatives are created to serve larger corporations and their SME supplier cluster, when it is seen from the data that SME clusters (i.e. the SMFDG) can create value as a grassroots organisation, working together with the intention of doing so. This chapter presents an analysis and findings related to each mechanism, presenting the negative and positive elements of each separately; the discussion will provide insight into how they may interact together as part of the CLoP framework. It explores how and if these mechanisms create economic and social value related to SMEs and CLSV, specifically to the research question at hand here on if an SME cluster can created shared value and how. Negative elements identified are related to the barriers and problems small businesses face in value creation (e.g. time constraints or overheads). The CSV concept does not recognise issues faced by SMEs and implies that in serving larger corporations who implement economic initiatives that will help their communities, these issues will be resolved.

Four overarching mechanisms of potential value creation emerged from the data analysis, under which related subthemes are incorporated. Notably, industrial upgrading and/or business expansion forms a theme of its own as it emerged to play a pivotal role in participants’ growth and ability to help their communities (e.g. through employment, apprentices, using local tradesmen and buying new equipment from local suppliers) as indicated in the previous methodology chapter. Mechanisms and sub- mechanisms identified here will separated them by types of response (e.g. knowledge sharing versus secrecy and being threatened by new entrants versus embracing them) to understand how SME clusters can potentially create shared value, in support the CLSV framework as opposed to the conceptualisation of CSV. The mechanisms and sub-mechanisms are illustrated in the chart below:

|  |  |
| --- | --- |
| **Mechanism** | **Sub-mechanisms** |
| Collaboration | * Collaboration and barriers and problems faced in collaborating;
* Engaged in knowledge sharing (e.g. spill-overs), secrecy or unwillingness to share knowledge as related to the mechanisms of knowledge spill-overs and transfer.
 |
| Attitudes towards Competition  | * Competition, co-operative competition or neutrality towards competition;
* Threatened by, embraces or neutral to new entrants;
* Specialist labour pools or market saturation.
 |
| Community Identity and Pride | * Pride in community and region or separation from the communities in which they operate;
* Strong support of using local produce in the operation, supporting only where they able or not part of their business agenda.
 |
| Industrial Upgrading and/or Business Expansion | * Engaged in industrial upgrading and/or business expansion, at capacity, have no desire to expand or experiencing barriers to expansion.
 |

# Table Six: Mechanisms and Sub-mechanisms of Potential Value Creation

 These are the overarching four mechanisms and their sub-mechanisms of potential shared economic and social value creation that potentially stimulate economic development through clustering. Collaboration mirrors collective efficiency or joint action and subsumes knowledge sharing and similar knowledge spill-overs. Within attitudes towards competition, specialist labour pools play a role in relationships. Community identity and pride emerged as a new overarching theme during the coding process, reflecting the ethos of the SMFDG to support and champion local produce, which can be also related CoPs and their pursuit of common goals. Lastly, industrial upgrading or expansion is a mechanism of its own. The first mechanism explored now is collaboration and its sub-mechanisms with a view to understanding the barriers SMEs face in facilitative collaborations and knowledge sharing.

**5.1 Potential Shared Value Creation Mechanism: Collaboration**

Collaborations among participants in the study, whether between each other or other SMFDG members who did not directly participate in the study, the regionally based cluster it is situated in and with neighbouring counties or at a national level was found to be incredibly prevalent. Thus, it can be regarded as an overarching mechanism in the form of joint action or collective efficiency that facilitates competitive advantage and the development of external economies (Schmitz and Nadvi, 1999), that can potentially lead to economic growth for the region. This is aligned with the SMFDG’s ethos of collaborative efforts among members but also with Malmberg and Power’s (2006) definitions of clusters that facilitate joint action to develop as a cluster, mutually engaging with one another, mirroring a CoP as well. In turn, this has a positive effect on communities, potentially leading to indirect social impacts (economic-level to social-level value creation). In line with CLSV, this can be viewed as an indirect form of social value creation, where it is not set explicitly as a goal. The SMFDG has been invaluable in facilitating many of these collaborations:

"Yeah I think that’s part of the SMFDG’s sort of raison d’être [facilitating collaborations] if you like. And the SMFDG and do support that tremendously. And we have made hundreds of contacts through the SMFDG with other local suppliers and customers. I mean we supply several local pubs and hotels and that sort of thing”. [Goat’s Cheese Producer 1].

Two sub-mechanisms of collaborations proved to be prevalent among SMFDG members: 1) Business to business collaborations and 2) Knowledge sharing incidences, which emerged not as a business to business collaboration, but as an exchange offering the other party ideas about their respective business operations. In this way, the SMFDG works together as a collaborative community, working together and sharing knowledge. However, this is not to assume that as SMEs, collaborations do not have barriers or that despite the sense of community among many SMFDG members that knowledge is readily shared.

**5.1.2 Mechanism: Collaborations amongst the SMFDG**

In lieu of the economies of scale possessed by many large corporations, SMEs are often driven to collaborate as a means of complementing and supplementing their limited resources (Doloreux, 2004). This can be seen clearly among the participants of the study, but it is not limited to strictly to members of the SMFDG. Rather, SME actors in the wider food and drink sector, engage in collaboration with the study’s participants, as well as do firms in neighbouring counties and less often, nationally.Many interviewees also recognised that without the relationships and collaborations facilitated by SMFDG, their survival would be more difficult, particularly as they started up, than if they were a stand-alone business.

Many of these collaborations occur between SMEs; as mentioned previously, Porter and Kramer’s CSV does not consider how SME collaborations can potentially create shared value without the aid of large corporations. Rather, they consider how multi-national corporations such as Yara and Nestlé work with developing country SME supplier clusters to create shared value for their own economic benefits. They also use more successful clusters of larger corporations such as Silicon Valley, which contains MNCs like Adobe Systems, and North Carolina’s Research Triangle, which contains MNCs like Bayer, as examples. Importantly, the data collected for this study illustrates that SMEs have the potential to create economic and social value with SMFDG acting as a facilitator or intermediary for many of these collaborations, not larger corporations, but not in the direct or intentional ways as CSV implies.

 Amongst participants and other cluster actors, an insurmountable amount of connections through collaborations – estimated to be in the range of 500 to 700, based on the multiple ones described by participants – were identified overall among food and drink SMEs throughout the sector. The following types of collaborations or connections were established between businesses:

* Business to business collaborations;
* Wholesaler collaborations with SMEs regionally, nationally or internationally;
* Collaborations outside of the region with other SMEs in neighbouring counties;
* Producer to home business collaborations;
* Producer to producer collaborations;
* Producer to eating venue (e.g. pubs or restaurants) collaborations;
* Producer to stockist collaborations;
* Producer to large supermarket collaborations.

These collaborations take different forms and are not necessarily associated with

the buying and selling of goods between parties. The designation between producers, stockists and eating venues is fluid; an establishment can straddle more than one category. For example, a bakery, can be categorised as a producer, but they are also a café, which is considered an eating venue, such as the case of the Café and Bakery interviewed. Another example was illustrated when interviewing the Farm Based Business Employee; while they have a shop on their premises, so may be seen as a stockist, they also have a tea-room, so may be considered an eating venue. The brewery and pub interviewed acts as both a producer and an eating venue. Findings from each type of collaboration are highlighted below with key examples illustrated and discussed in connection to CLSV and their potential positive social and/or economic impacts, or neutrality to both in the table below, followed by a more in-depth analysis of the support of collaborations in terms of the CLSV framework, with the exception of producer to large supermarket collaborations and collaborations outside of the region with other SMEs in neighbouring counties. These will be discussed further as an introduction to the next section that discusses barriers to collaborations.

|  |  |  |
| --- | --- | --- |
| **Type of Collaboration Explained** | **Related Examples and Partial Quotes from the Data and Participants** | **How do they Indirectly Create Shared Social and Economic Value** **(i.e. social-to-economic level, economic-to-social level, neutral but beneficial impacts, social value only or economic value only)?** |
| **Business to Business Collaborations*** Can be defined as overall as transactions more difficult to categorise specifically as they do not necessarily occur between SMFDG members;
* They create indirect economic and/or social value nonetheless for the region indirectly or help other SMEs in their operations overall.
 | * Of the interviewees, the most common type of business to business collaboration occurred between breweries;
* These occur in in the form of “swaps” of their casks with other regional breweries or those outside the region, closely associated with the sub-mechanism of co-operative competition;
* Allows breweries to gain market share or increased exposure in new places.
 | * Swapping casks outside the region still has a positive impact on regional economic value creation;
* It generates revenue streams for the breweries to ensure their survival and stimulate the local economy, so they may continually positively engage with their communities (e.g. by donating to raffles, sponsoring sports teams and local village fares, all noted during interviews);
* In this case, **indirect shared value can be created from the economic to the social level**, as CLSV framework supports (economic-level to social-level value creation).
 |
| **Business to Business Collaborations Continued** | * Another type of business to business collaboration focused on interactions with sectors outside the food and drink industry that nevertheless contributes to the regional economy;
* The Pub Owner interviewed stated that they use “local guys if we can”, citing his electrical contractor and maintenance person from the region;
* The Cider House Owner met the local manufacturer for his cider making equipment at an SMFDG meeting.
 | * While not part of the CLSV framework, a positive economic is generated through the wider region as it ensures the survival of other SMEs in different industries;
* Could potentially allow for an **indirect economic level to social level value creation** to occur in the same way as above, or lead to neighbouring, related businesses to allow for expansion or hiring new employees (e.g. through word of mouth about their services or products);
* Positive **economic** impact overall.
 |
| **Business to Business Collaborations Continued** | * The Pay as You Feel Café often shares food with the homeless shelters in their area (not part of the SMFDG) and vice versa when they have excesses (e.g. that will expire if not used).
 | * As both types of businesses are not-for-profit and rely on volunteers, this can be identified as **creating social value** for the region as they provide a service for those in need.
 |
| **Business to Business Collaborations Continued*** This type of business to business collaboration is different in terms of the others;
* They could be said to make business operations easier, are convenient for businesses involved overall and fosters healthy relationships between them.
 | * Caterer A sublets a room in her industrial space to the Fruit and Veg Box Supplier;
* Uses his produce and they work closely together when one may need help with deliveries, sharing a stall at events and promote each other;
* The Pub and Brewery participants donate the spent from their grains used to make beer to the Chutney and Jam Producer for his pigs;
* The grain is then combined with whey from the Cows’ Cheese Producer to make his pigs’ food;
* In exchange for the grain, the Chutney and Jam Producer buys the Pub and Brewery’s beer at a preferential rate and sells it at events, giving the Pub and Brewery more market exposure without affiliated costs and time to invest in a stall;
* In exchange for the whey, the Cow Cheese Producer received a gift of a butchered pig for consumption at Christmas as a thank-you gift.
 | * These types of collaborations can be seen to have a **neutral but beneficial impact on social and economic shared value creation**.
* Neutral impacts have emerged as a finding from the data that are not explicitly apart of the CLSV framework, but as they are beneficial for SMEs, could indicate a future research direction outside the scope of this study.
 |
| **Wholesaler collaborations with SMEs regionally, nationally, or internationally*** Found to be less common;
* Many SME participants do their own deliveries and have no need to sell their goods to a wholesaler for distribution.
 | * The Gin Distillery and Salad Dressing Company do use national and international wholesalers to distribute their products;
* Smaller regional wholesalers are used by growing SMEs in the SMFDG when deliveries have become too time-consuming (e.g. the Fruit and Veg Box Supplier and Goats’ Cheese Producers).
 | * In support of the CLSV framework, this has both a positive economic impact regionally particularly if they use local wholesalers but also an indirect social impact as engaging with wholesalers or hiring delivery drivers, alternately, indicates that business growth can stimulate employment in the region, for example, leading to **indirect economic-level to social-level value creation**.
 |
| **Producer to Home Business Collaborations*** Home businesses are identified as such because they are run out the owner’s or co-owners’ home;
* Do not qualify as a shop (i.e. a stockist) where goods can be directly purchased.
 | * This type of collaboration is less common, as only three of the producers worked directly from their homes (e.g. in their kitchens and/or dining area);
* However, for all three this type of collaboration represents a unique selling point that their food is from the region that brings them more financial gains from loyal customers who want to support local products (i.e the Home Bakery Owner, Traditional English Pie Maker and the Hamper Service and Online Shop Co-Owner);
* The Traditional English Pie Maker noted: “The more local, the better. I really like it when I am selling stuff. I tell everybody exactly where it came from. That came from there, that came from there”.
* Aligned with this, the Hamper Service and Online Shop Co-Owner noted that over 95 percent of their products were from the region.
 | * These types of unique, locally based collaborations between producers to home businesses supports **economic value creation** in the region overall, and supports the collaborative efforts of the SMFDG’s ethos;
* It also points to the potential for **indirect social value creation** to occur if they choose to work from outside their homes as they expand (e.g. the Hamper Service and Online Shop Co-Owner wishes to move her business off-site, employ additional staff and delivery drivers);
* Advertising local can also increase their opportunities for community engagement as consumers become more loyal and aware.
 |
| **Producer to Producer Collaborations*** This type of collaboration occurs wherein one producer uses another producer to make their products.
 | * As examples, the Cow’s Cheese Producer makes an ale washed cheese from a local brewery;
* The Vineyard Owner employs the Cider House Owner to make her brand of cider;
* The Farm Based Business Employee explained they stock their pies in a regional butcher shop where they buy their meat and their chutney in the regional bakery where they buy their bread.
 | * While these types of exchanges may not produce any monetary value, they do provide exposures the businesses would not have had before, which may encourage customers to use their products;
* This can have both a positive economic impact and lead to further community engagement through having a local customer base, in support of the CLSV framework (**indirect economic-level to social-level value creation**).
 |
| **Producers to Eating Venue Collaborations*** This type of collaboration occurs wherein goods are made and sold for consumption in restaurants and pubs by producers.
 | * Most of the producer participants supply at least one or more eating venue;
* Aligned with their product markets, breweries commonly stock pubs and bakers sell their cakes at tea rooms.
 | * Commonly, these relationships have been formed through the efforts of producers to canvass eating venues or through SMFDG meetings where both parties have attended;
* This has an positive impact on **economic value creation** for the businesses in the region.
 |
| **Producer to Stockist Collaborations*** This type of collaboration occurs when producers supply to local stockists (e.g. farm shops) and is the most frequently occurring.
 | * Stockists who have a goal to stock local products can literally have 100s of them in their shops and they are easily delivered to them, as evidenced by the researcher;
* SMFDG meetings help facilitate this, through encouraging them to look to member directory for potential products or stockists;
* It is common practice at SMFDG meetings for producers to set up a table with their wares and negotiate with stockists in attendance, leading to producer to stockist collaborations;
* The Cow’s Cheese Producer noted that is the first batch of cheese he ever sold was at an SMFDG meeting;
* One of the stockists bought the whole batch of cheese “on the spot” after the tasting, he said.
 | * This supports further that the SMFDG is instrumental, as a grassroots cluster organisation, in facilitating shared value creation as it mediator;
* It supports the CLSV framework, leading to positive **economic value creation** and further awareness of local products, with the potential to have a **positive impact on social value creation**.
 |

# Table Seven: Collaborations Identified by Type with Examples and How they Create Shared Value in Different Ways

 As the table above illustrates, each collaboration supports the CLSV framework in different ways but importantly, primarily supports the proposition that the CLSV framework stipulates the occurrence of indirect economic value creation leading to social value creation. The mechanism of community identity and pride will be shown to compliment this, as social value creation can lead to indirect economic value creation, in turn.

To support the CLSV framework, producer related collaborations (i.e. with other producers, stockists, home businesses and eating venues) are primarily facilitated through SMFDG meetings, events and SME contacts in their directory to strengthen the cluster as a whole, as well as their own businesses, regional economy and their abilities to create positive social impacts in their communities. Working together in a collaborative setting as a grassroots cluster organisation has been critical for positive indirect economic benefits to happen to facilitate indirect social value. The SMFDG, as a purposefully formed cluster organisation, has mediated many of these collaborations through personal, face-to-face meetings of members to created shared economic and social value. Aligned with their core ethos to do so, SMEs in the food and drink industry are readily accessible to each other and their products to its members to collaborate through the SMFDG.

However, there is wide breadth of collaborations was found to be happening outside the county but were identified as “local” were identified during interviews and on participant websites, although not regional (e.g. collaborations outside of the region with other SMEs in neighbouring counties). These were not separated by type of connection but rather, acknowledged as activities existing outside the scope of the primary research. Clusters do not exist in a vacuum; they can flourish through vertical and horizontal linkages beyond its geographic boundaries (Ketels, 2008, Porter 1990). This can negatively affect economic, and inadvertently social, development specific to the region as it affects the SMFDG cluster organisation in appeals to their enterprise partnership for grants or funding, as noted by SMFDG employees interviewed. In this way, the region itself wherein SMFDG can be considered the cluster:

“This is where we have to draw a line at the county boundary, because by dint of how funding works, as you know, there isn’t any point in our going out and helping a village that’s two miles over the county boundary…it won’t qualify against [the region’s] statistics…if you’re buying something local, well what do you deem as local? You might say within thirty miles. Now if you live in [the region], which in [the southern part of the region] buying within thirty miles is a heck of a lot of closer to [a neighbouring region]…You’ve got to quantify it somehow. You have to be able to make people realise that what they’re buying isn’t local here…the county boundary is as good a destination as any”. [SMFDG Communications Director]

As will be discussed further as part of the Community Identity and Pride mechanism, buying local is not always possible though, as much as members of the SMFDG would like to ideally. Availability, cost, quality and time to source local products can present barriers to this for SMEs. For consumers, convenience and proximity can play a role in buying regionally local products. These factors represent barriers to economic value creation. Additionally, collaborations outside the county might be necessary if a business wishes to expand.

 Overall, though, collaborations among SMFDG members reflect its ethos to support local each other’s businesses through collaborative efforts for the good of not just the economy, but for their communities, in support of the CLSV framework

Finally, and perhaps the most problematic of collaborations, is that of producers to larger retail outlets or supermarkets. While a small portion of producers do partake in selling to them, there are a several barriers they face in doing so or if they desire to. The barriers and problems with each type of collaboration are considered in depth in the following section.

**5.1.3 Problems or Barriers Faced in Facilitating Collaborations**

The SMFDG has helped facilitate many collaborations among its members, in line with their ethos of creating a collaborative environment, particularly during its meetings where members have a chance to meet each other personally. At other events (e.g. farmers’ markets), and through recommendations, cluster actors actively contact each other with interest in working together. Sometimes, though, on the negative side, they view the other stalls as competition.

Further, despite the many successful collaborations discussed in the last section, many of the participants interviewed reported barriers in maintaining or facilitating collaborations. As noted earlier, Porter and Kramer’s (2011) conceptualisation of CSV fails to acknowledge the barriers that SMEs face in developing CSV strategies, focusing only on the economic-based initiatives deployed by large corporations to create social value. The assumption that the social initiatives chosen, further, are the best suited and needed ones for SMEs when and their communities that may not be correct.

Most of the SMEs interviewed have either very small teams of employees, worked alone, or with their co-owner, with high overheads and no economies of scale in their production, working long hours and making little profit as a result. The Cow’s Cheese Producer explained that he probably, after operating for two years, is barely earning minimum wage, joking that he probably earns 50 pence an hour. The key problems that identified in collaborations between businesses were identified as: costs, loss of production time and labour, time overall, and the ability to produce appropriate quantities. All lead to inaccessibility to or barriers to further collaborative opportunities that can, in turn, potentially limit business growth.

For the smaller businesses interviewed, particularly the newer ones, financing operations is especially difficult in their efforts to turn profits or even survive. While SMFDG’s meetings are free, this is not the case with local food and drink festivals, farmers markets and similar events. It was widely recognised that events and SMFDG meetings provide the opportunity to meet other businesses leading to possible collaborations, increased market exposure and potentially get new perspectives on the competitions’ activities. The most common complaint among participants was that they cannot justify attending events due to the costs of the larger ones particularly. The loss of production time, transport costs and stall costs play a significant role in this decision.

 The Hamper Service and Online Shop Co-Owner noted that aside from the SMFDG’s food and drink festival, local food festivals are very expensive and found that a lot of local suppliers are finding the same. She gave the example that if you pay 250 pounds per stall for a weekend, you must sell a lot of products; unless you have an expensive product, it simply not worth it for them. The Home Bakery Owner concurred; for two-day larger events, she loses one day of baking time as they have to prepare for the next day and she is at the festival on the first day. This speaks to the notion that if you have a less profitable item to sell, or alternately one with less of a price mark-up than others—beer and spirits were identified as more profitable–attending these events is financially difficult. Thus, particularly for one-person operations, the loss of one day’s production to attend an event is critical to their profits overall.

 Transport costs are another issue to be considered. As the Butcher and Deli Owner noted: “The number of times I’ve been to farmers’ market, and I haven’t had the fuel to get home unless I go and earn a bit, that’s being a food producer”. Further, labour issues play a role. The Butcher and Deli Employee also noted that the pitch fees for the stalls are expensive but also staff you have to pay to attend them and that they are very time consuming to prepare.

 Through the course of the interviews, it became increasingly apparent that for small businesses, the resources to attend events is difficult due to incurred costs and loss of production time and labour. The barriers associated with these events can have a *negative* effect on the regional economy, businesses and the community, and the cluster itself as it limits the possibility for collaboration and knowledge sharing. Consumers may not be aware of many local products for purchase without local SMEs present. Thus, less money is potentially being spent regionally if consumers then buy products from outside the county. CLSV is negatively affected as chances for collaborative efforts are hindered by event costs, which may in effect their growth and in turn, their ability to contribute to the community.

 Alternately though, some of the participants viewed these barriers more as excuses not to attend events. The Cow’s Cheese Producer argued: “You have to make time to do that sort of thing [events]. It’s not just about the money you make, it’s about getting your name out there and people knowing that you are about”. He also noted one of the more expensive weekend festivals was so well attended it facilitated the purchase of a new cheese press for him.

 The region itself also p­lays a role in success at these events, as its customer base is not as economically strong as neighbouring counties in some areas. The Chocolatier Co-owner noted that their chocolate shop is in a different region with a different clientele to allow for more profits. While she lives in the SMFDG region and supports it, it is not economically viable for her to set up shop there considering the consumer base, which further prevents potential collaborations with other members. Similarly, Brewer Co-owner B noted that going to more affluent areas to sell their products is more beneficial for them, citing that in certain parts of the SMFDG’s region, they h­ave had the lowest sales they have encountered at food festivals. These examples illustrate that in some cases, regional economic development is affected due to the impoverishment of the region. While this can have a negative effect on economic value for the region, it can alternately allow businesses to invest in more socially positive impacts in their communities. Brewery Co-owner B noted that they participate actively in local village fares, selling them at a premium price to locally sponsored events, for example, having a positive social impact and increasing customer loyalty.

 It also increasingly emerged that eating venues want cheaper prices, less than small producers can offer to make a profit, as recognised as another barrier to collaborative efforts to support the CLSV framework. The Butcher and Deli Shop Owner, when asked they if stocked any local restaurants or pubs, stated: “No, because I can’t afford to. They all want cheap…if you think about it, would you go into a Rolls-Royce or Bentley dealer and say, ‘Can you knock forty percent off mate?’” The Cow’s Cheese Producer noted that his cheese was only marginally more expensive than another in a pub he approached. But in purchasing from him, the owner may have had to raise the price of his burgers by 60 pence to compensate. This may deter customers, though there is little monetary difference but potentially much better quality. Alternately, the Pub Owner noted that many small producers have fixed costs regardless of the volume they produce, making them more expensive but did say if the quality was better, customers will pay a bit more if advertised as such.

 Quantity also emerged as a barrier to collaborations between producers and stockists or supermarkets that could inhibit shared value creation. Without the economies of scale in place, small producers wishing to supply supermarkets are unable to produce the quantities that a larger retailer would require in maintaining a space on their shelves. While a small portion of producers do partake in selling to them, there are a number of barriers they face to get into supermarkets if that is their goal. Both the Chocolatier Co-owner and Gin Distillery Co-owners noted that larger retailers (e.g. Waitrose) are very difficult to approach via email and phone, despite their numerous attempts to do so. Essentially, they must wait for them to find out about their products and contact them directly. Also, the demands of supermarkets can make collaborations nearly impossible and beyond the economic scope of SMEs. Brewery Co-owner B noted that it could “kill businesses” to get into larger supermarkets because of the promotions, labels and health and safety standards they require or desire. It would be far more costly for them to get their products into a supermarket considering their economies of scale as a small business than it would be profitable for them.

 The resistance and demands of larger retailers to engage with local SMEs runs contrary to Porter and Kramer’s (2011) notion that larger corporations incorporate SME clusters in their business plans to create shared value, even though larger retailers such as Waitrose – who were named by participants as difficult to reach as aforementioned – claim to champion local SMEs. CSV’s focus is on larger MNCs improving the lives of SME suppliers in a cluster through social initiatives chosen by them for the greatest economic benefits to their firm(s). The opposite is in fact occurring with CLSV; SMEs are creating shared value for themselves. In the case of collaborations, economic and social value creation has been created primarily by the collaborations between the SMEs in the cluster, not with the aid of larger corporations, supporting the CLSV framework for SME clusters.

In terms of collaborations between producers and smaller stockists or home businesses, though they may want to, other economic barriers are faced by SMEs. The Farm Shop and Butcher Co-owner stated: “If you supply local, you’ve got to be able to deliver when they want you to. They’re used to the big boys. They just deliver, they don’t charge you”. She went on to say that a local bakery had recently asked her to deliver some of their corned beef, but “that’s two hours out of my day and diesel for a 48 £ order.” If there were several small producers in the area wanting orders at the same time and they could be done at once, it would become worth it she argued, otherwise it is not. Alternately from the producer perspective, some participants argued that they could not supply all local stockists possible because there is no profit margin to be made for them. Smaller stockists have their own overheads and economic issues; thus, they cannot always pay a price for products wherein the producer makes a profit to the detriment of their own.

When considering all of the problems or barriers faced by participants in collaborating with other members of the SMFDG and the wider cluster, issues related to time, costs and quantity proved to be the most emerging issues that could potentially hinder CLSV. Along similar lines, there were successful incidents and barriers faced related to knowledge sharing within the SMFDG and other regional food and drink SMEs, as discussed in the following sections related to collaborative efforts.

**5.1.4 Knowledge Sharing**

Knowledge spill-overs can be defined as the indirect or direct knowledge transfer from one party to another (Gilbert, McDougall and Audretsch, 2008). Aligned with the overarching theme of collaboration, intentional knowledge spill-overs are considered here. Thus, the term knowledge spill-over will be referred to as knowledge sharing, as it is intentional and direct. The notion that clustering fosters knowledge spill-overs and sharing has been supported by other studies (see Dahl and Pedersen, 2004, Gilbert, McDougall and Audretsch, 2008, Iammarino and McCann, 2006, as examples). Additionally, knowledge spill-overs have been widely discussed as a benefit of clustering by many management scholars, including in the works of Malmberg and Power (2006, see also Arrow, 1962, Ketels, 2003 and Romer, 1987, as examples), since Marshall’s (1890) first conceptualisation of them.

While incidents of knowledge sharing are prevalent among non-collaborating participants in the SMFDG, participants in collaboration with one another did not highlight any incidents of knowledge sharing, as supported by other studies (e.g. Angel and Engstrom, 1995). There are also incidents of intentional secrecy preventing knowledge sharing and at a lesser level, where it is unnecessary, as they do not need to learn from other businesses or knowledge is unavailable. The prevalence of the latter mentioned is deemed less significant here as they were found to be far less common among members. It is pertinent to note that again, as a grassroots organisation, the SMFDG is instrumental in facilitating opportunities to share knowledge among its members with the purpose and intent of collaboration.

**5.1.5 Incidents of Knowledge Sharing**

Positive incidents of knowledge sharing were reported between participants with other members of the SMFDG and with businesses in the region’s wider food and drink sector. These businesses are in different niches and not in direct competition at times but surprisingly, many incidents of knowledge sharing occurred between businesses in the same field, that one would assume are in direct competition with one another. Knowledge sharing can be considered to have business benefits for SMEs, as advice can potentially help them to save money in the long term, having a positive economic impact on them. In cases where businesses were in different specialisms, the SMFDG has facilitated knowledge sharing between businesses that may not have normally connected. This creates economic value for members potentially. For example, the Chocolatier Co-owner explained that she has spoken with other people at SMFDG meetings and it benefits her because you can share information about stockists and customer bases (e.g. advice on which stockists to approach based on their experiences).

 Thus, businesses who are not competing directly do share information about where others may go to have their products stocked, while others give each other different types of advice around how to operate their businesses. Brewery Co-owner B shared advice with a catering company in the SMFDG about labels and packaging at a festival, noting that these types of events are an opportunity to share knowledge because “you get talking to people”, while the Chutney and Jam Producer noted that: “A few companies like XXXX [a spice making business]…We all started off at the same time so we were all learning together”.

The SMFDG was also highlighted as a key mediator in facilitating knowledge sharing. The Hamper Service and On-line Shop Co-owner noted that the SMFDG provides a lot of coaching, training, and support (e.g. about marketing, labels and social media). The Chutney and Jam Producer noted as well that sharing information between other businesses in the SMFDG (e.g. at their meetings) has been equally as valuable as the shared resources offered by the SMFDG.

 While incidents of secrecy do exist, as will be discussed in the following section, businesses in the same niche of the industry are willing to share knowledge, particularly from established to newer businesses or those wishing to start up a similar one in their early stages. The incidents of knowledge sharing reflected above support the CLSV framework and the tenets CoP theory – members are developing a shared repertoire through these interactions and mutual engagement. The Vineyard Owner, after going through a long bureaucratic process of getting a premise license has since imparted and shared her knowledge and files with other wineries, so that they may sell their wine more expediently. In turn, when her vineyard was in its early stages, an established vineyard owner imparted knowledge to her in a similar manner.

When Pub and Brewery Employee 2 sold his business, he sold it to Brewery Co-owner B and his business partner, who had no previous experience brewing. He taught them how to brew for a period of six months after gaining ownership, first his former beers, then they graduated to their own beers after learning how to brew. He did not have to do this for the new brewers who purchased his former brewery. In addition to extending his help, he left the brewery with his previous telephone number, not as part of the contract but out of kindness, to ensure they would inherit some of his previous business. During his interview, Pub and Brewery Employee 2 showed a true passion for his craft, imparting his wisdom and sharing knowledge to other brewers. Brewery Co-owner B noted: “People were phoning up and asking for beers and we said, ‘We’ve now changed,’ and they said, ‘Oh we will have some of yours then’”. Brewery Co-owner A remarked on the help offered by Pub and Brewery Employee 2 as well: “I’m sure probably everybody has told you they’ve seen [Pub and Brewery Employee 2]. We went to see him first. He’s absolutely fantastic [in giving brewing advice]”. Pub and Brewery Employee 2 also noted in his interview, aligned with his willingness to share knowledge, that individual brewers have come to him to ask advice (e.g. if they have a technical problem or cloudy beer), as he recognises that it can hurt their sales.

 Knowledge sharing between similar businesses as aforementioned can have a positive economic impact on value creation, supporting the CLSV framework and also the ethos and intention of the SMFDG to collaboratively share knowledge to help businesses. Other businesses, when contacted by those wanting to start up something like their own, were willing to help. Several participants noted that others have come to them for advice in starting up and were willing to lend a hand as well. However, readiness to share knowledge was not the norm among all participants. Incidents of secrecy and an unwillingness to share knowledge with other businesses was found, which will be considered in the next section.

**5.1.6 Secrecy or Unwillingness to Share Knowledge**

As receptive to share knowledge as some participants were, these positive interactions were not always the case. Studies of secrecy or an unwillingness to share knowledge by SMEs in clusters present a gap in the literature; none have focused specifically on this area to date of this study. However, while some were willing to share advice on operational aspects of their businesses (e.g. packaging and production methods), others were found to be hesitant to share trade secrets about their products, ideas and operations.

For example, while the Cow’s Cheese Producer openly discussed the cultures he uses for his cheese, the Goat’s Cheese Producers interviewed were unwilling to divulge anything about theirs despite the researcher’s lack of knowledge about them, while also representing no competitive threat to their operations. As businesses experienced growth, others found themselves less likely to share information and, in turn, were less likely to receive it from prospective competitors. The Cider House Owner noted that while similar businesses share information with him, it was easier when they were smaller to receive such knowledge, as he was not as much of competitive threat. Alternately, the bigger his business gets, the less willing he is to tell other cider businesses about what he puts into his cider, the volumes he is producing and his operations.

 A factor for a few businesses that affected their decision to share knowledge was their personal relationships with them. The Chutney and Jam Producer noted that while the majority of businesses were willing to give feedback and advice, “We will find that if somebody is making and selling the same type of product you are they get a bit touchy”. However, he also recounted that on occasion they have had a stall next to one of his competitors, but you “could not find a lovelier couple” and they spent time exchanging ideas and giving each feedback on their products. Similarly, Caterer A explained: “I wouldn’t say it is a supportive community [referring to cake makers and caterers]. Cake makers and caterers and things like that are quite competitive”. But she went on to say that there a few people she has become friendly with that she would help over others, as she has a better personal relationship with them. Pub and Brewery Employee 2, who helped out Brewery A and Brewery B when they started operating aforementioned, noted that there is also a danger to sharing advice: “There are some you get along better with than others. There are some that will take your secrets and stab you in the back”. Other businesses were worried that their business models would be co-opted (i.e. “stolen”). Despite the fact she puts recipes on her website, the Home Bakery Owner expressed this concern as well. She puts some of her recipes online because “it’s good to get people cooking” but does worry that when she does that, they will not be buying them from her. She wants to share but does not want people to take advantage of her as a free resource, essentially. Cake makers, bakers and caterers, as well as other producers, are not only selling products but they are also selling their skills, as without these they would not be able to make quality products.

I

n summary, these findings related to secrecy in knowledge sharing run contrary to the notion that clustering facilitates it, specifically at a purposeful level, in contrast to CSV. Further, secrecy and unwillingness to share knowledge does not support CoP theory’s tenant that members of a CoP develop a repertoire of shared knowledge to provide solutions to problems in their pursuit of a common enterprise (Wenger, 1998). In relation to CLSV, incidents of secrecy run contrary to the notion that cluster members operate in a collaborative manner. As competition increases, so does the risk and fear of market saturation. Related to this is the mechanism of competition, and the different attitudes towards it by participants, as threatened by it, positive or neutral towards competition.

**5.2 Mechanism: Attitudes towards Competition**

Many definitions of clustering in the literature highlight the importance of cluster-based actors not only collaborating and co-operating with each other, but also competing against each other (Feser, 1998, Malmberg and Power, 2006, Porter, 1990, 1998). In this way, members of the SMFDG are aligned with Porter’s (1990) traditional definition of clusters. Competition – and the varying attitudes towards different elements of it – emerged as a mechanism of primarily economic value creation in the interview data. A simplified definition of competition is seen here as: “actions that are done by people, companies, etcetera, that are competing against each other” (Merriam-Webster’s Learners Dictionary, 2016) or “a situation in which someone is trying to win something or be more successful than someone else” (Cambridge Dictionary, 2017). In the case of the participants, three attitudes towards competition emerged related to direct competitors and were displayed in their accounts of interactions with them. These are viewed here as incidents of direct competition (negative), cooperative competition (positive), also known as co-opetition, and feelings of neutrality towards competition.

In their seminal 1996 book *Co-opetition*, management scholars Adam M. Brandenburger and Barry J. Nalebuff coined the now widely used phrase of the same name. Co-opetition is essentially a business strategy that differs from traditional competition, wherein the advantages of competition and co-operation are combined so that competitors can realise their full potential.

 Co-opetition is more process than outcome oriented; competitors work or strive together in business challenges. Related to CoP theory, co-opetition can be viewed as a way in which members of the SMFDG members work together to solve common problems, in pursuit of their common goal to support local businesses and local produce. Incidents of this collaborative co-opetition align with Malmberg and Power’s (2006) definition of clusters, as a cluster determined to develop together. In relation to shared value creation and CLSV, indirect economic value is created through co-opetition, that can in turn create indirect social value for the region (e.g. breweries in the region hold festivals amongst each other, wherein charitable causes are supported through a portion of their profits or businesses working in the same area to revitalise theirs communities and districts).

 Direct competitors were often threatened by new entrants. Less prevalently, direct competitors viewed new entrants as a threat but also embraced and engaged in co-opetition with them (e.g. brewers view market saturation as a threat but also engage in co-opetition through cask swaps). In some cases, participants had a neutral attitude towards competition and new entrants, particularly in cases where competitors make slightly different products (e.g. goat cheese versus cow cheese), have different operations or premises, and goals for expansion or growth. Thus, they attract different types of clientele or alternately, feel there is enough market share for everyone as there are few competitors. They also may be ahead in the market or be a specialist business in cases where participants had neutral attitudes towards competition and new entrants. Below, these varying attitudes towards competition are discussed with a consideration of attitudes towards new entrants in relation to clusters and CLSV.

**5.2.1 Direct Competition and Threatened by New Entrants**

Among participants, there was not a significant amount of negative comments made about or anecdotes regarding their direct competitors. This could be attributed to the high amount of collaborations among participants and in the wider cluster, leading to shared value creation for them, and to the specialist, niche nature of some participants. However, this was not always the case. According to The Campaign for Real Ale, an independent organisation with 185,000 members that champions real ales, consumer rights and community pubs, upwards of 29 pubs close weekly in the UK, as of 2016. (CAMRA, 2016) This diminishes the number of outlets breweries can supply and in turn, increases competition, and has a negative effect on CLSV, harming the potential for economic value creation and leading to potential negative social impacts (e.g. loss of employment) and for individual firms. Brewery Co-Owner A noted that as they become more established that although no one “is nasty”, they are not as friendly. The more permanent outlets they secure, that is one less for other breweries. Competition grows steeper while the number of pubs declines. This also is related to market saturation of breweries in the region. Breweries represent the fastest growing sect of the food and drink in the region; there were currently over 30 in 2016.

 On the threat of market saturation in the brewery industry, Brewery Co-owner A explained succinctly that “there is just not going to be enough business in the region”, a sentiment concurred by the Cider House Owner, who stated, “I think if you ask the beer lads they would be happier with half the amount there is”. To further understand and add context to the significant growth in breweries, Pub and Brewery Employee 2 noted that when he started distributing in 2002, there were only two others in the region.

Cake makers and bakers represent another growing sect in the region’s food and drink cluster; as breweries do, this part of the industry represents easy access for new entrants (e.g. operating from their home kitchens). Again, there is a risk of market saturation as a result, having a negative effect on CLSV and businesses at the individual level. These SMEs are comprised of ones who operate in industrial kitchens and those in in-home kitchens; the latter is normally the newer of the two. Caterer A, who leases a commercial, fully fitted industrial kitchen, explained that home bakers have a detrimental impact and represent a threat to her business. She rents her kitchen, has insurance, local authority inspections, keeps up with legislations and allergy advice on her products. In contrast, she went on to say that these “hobby bakers” can open a business and start trading before being inspected by the local authority for the first three months, without having a proper business model set up.

 Other businesses reported that they felt threatened by larger wholesalers stealing their customers, although they are not necessarily in direct competition. The Fruit and Vegetable Box Supplier, also an area of the industry where there is easy entry to the market, said that a similar business just outside the region that has about three or four full-time salespeople that constantly approach his customers to start using their services. On stealing his customers, he explained: “I can come into work and I’ve got someone I will call and say, ‘What would you like?’ and they will say, ‘Oh we are using them now’”. He does not have the financial resources to hire a salesperson to recruit customers. In fact, he is now taking a yearly profit loss in part because of these new competitors. With their increasing numbers, this is also a problem among breweries. Brewery Co-owner A noted: “That [stealing customers] is going to happen. It is not nice for anybody. We have all got children to feed and mortgages to pay and whatever”. Such incidents have a negative effect on the cluster and its potential growth.

Other participants felt that their competitors were not being honest about the ethics of their products. The Farm Shop and Butcher Co-owner noted that although she did not have a lot of competition in the county, the closest one advertises that they buy local chickens and meats. While customers may feel it is more ethical to buy local products, neither the chickens nor meats in this shop are ethically sourced. They are intensively factory farmed, unlike theirs, where their animals freely roam on the premises. Similarly, the Hamper Service and Online Shop Co-owner recounted that another hamper business claimed to have worked closely the SMFDG’s CEO in her literature and social media when she in fact had not.

 While these findings illustrate that competition can be found among cluster actors, it could be argued that many businesses compete with each other regardless of whether they are affiliated with a cluster. However, incidences of co-opetition are equally as common, loaning findings to support to the first theme of collaboration and are often facilitated via the SMFDG that strengthen the regional economy and their communities.

**5.2.2 Co-Opetition and Positivity Towards New Entrants**

As previously explained, co-opetition is the process wherein the advantages of co-operation and competition are combined for the benefits of competitors (Brandenburger and Nalebuff, 1996). Co-opetition also bares some similarities to collaborations and mirrors tenets of CoP theory (i.e. joint action and mutual engagement). Many participants reported being involved in co-opetition on some level, with other members of SMFDG and in the wider cluster in several different and varying ways, reflecting the collaborative nature of SMFDG members and other cluster actors, encouraging shared value creation socially and economically. Economically, they support each through co-opetition, ensuring their survival in the long-term. On a social level, value creation occurs through co-opetition because it encourages the members of SMFDG to operate as a community, as a grassroots cluster organisation intending to develop together. In relation to the CLSV framework, co-opetition encourages the strengthening and growth of the cluster, as collaboration does.

 For example, the Pub Owner explained that for something as simple as the price of sports and television channels, he speaks to other pub owners and they negotiate with television stations together. Despite the fact the Pub Owner interviewed may singly negotiate a cheaper price and attract more customers with his competitors, there is a chance another pub may garner a cheaper fee. Co-opetition ensures the optimal benefits for all parties (Brandenburger and Nalebuff, 1996). On the subject of new pubs opening in the area, he said: “There’s nothing negative about it. I would say that the local area and the type of businesses and the people that operate the businesses generally are like-minded”.

 Caterer A reported that she recommends another local baker if she is too busy to take a job and vice versa. This ensures the prospective customer still receives good service and increases the possibility that they will approach them again. Similarly, the Home Bakery Owner concurred that she works with other businesses to provide different services such as celebration cakes and different sweets. This was seen as positive by both parties, to work together, not compete.

 In other cases, the Butcher and Deli Employee noted that they are willing to help another very geographically close farm shop in the advent they run out of particular items they both have in stock. In turn, that farm shop advertises the deli’s brand on these products while retaining profits from the sale. By keeping some of their products consistently on the farm shop’s shelves, she explained, often brings customers to their shop to peruse their other products. The Farm Based Employee noted that they and other event caterers have worked together on larger events with the mindset that, “If you get on and work together, then there’s something for everyone…We are not going to tread on their toes and we’re not going to for business that we know they’re going for”. Examples of co-opetition ensure that economic and social value creation will occur, as opposed to viewing other businesses as threats of competition, which hinders shared value creation and CLSV.

 The Café and Bakery Employee gave an example of co-opetition happening between themselves and another similar establishment on the same road as theirs, Specifically, there is bakery down the road from them they collaborate with by supporting one another through patronage on both sides. This competitor is a much smaller establishment with range of more specific products and is more suited for small groups, wherein the Café and Bakery is well suited for larger ones. They help each other when one is out of stock (e.g. cream) and encourage the creation of the area to become, as she put it, “a hub of good stuff”. Essentially, by not directly competing and cooperating/supporting each other, they are trying to create an area known for the quality of their produce and establishments using their different business models. In this way, the community benefits socially and economically in support of the shared value. Notably, this establishment employs women who are ex-offenders and provides support to the women who live in the community, having an indirect individual social benefit, representing an indirect economic impact at the individual firm level as well.

 The most prevalent example of co-opetition occurs between the breweries in the form of cask swaps, as explained when discussing business to business collaborations. Considering the risk of market saturation as the number of breweries increases and pubs close it is crucial that they engage in these swaps to sustain their businesses. At any given time, breweries can offer the other beers’ brand they engaged in a swap with to the pubs they stock, ensuring exposure even if they are in direct competition with them.

 While breweries sometimes engage in swaps with others in the cluster, they place more importance of swapping with breweries outside the county. This helps to ensure the economic sustainability of the UK’s brewery industry as a whole and gives them also increased market exposure. Aligned with this, swapping with other regional breweries (i.e. direct competitors) was viewed as less desirable, particularly considering the increasing number of them. Brewery Co-owner A noted: “If we do swaps it tends to be from outside of the county, to bring their beer in and get ours out of the county rather than keeping it in the county”. The lack of co-opetition between regional breweries is further supported by their unwillingness to share knowledge between each other, especially as they expand, as discussed in the section on secrecy. The following section, the last sub-mechanism of attitudes towards competition, considers participants with neutral attitudes to new entrants and competition.

**5.2.3 Neutral Attitudes towards Competition and New Entrants**

 When considering neutral attitudes to competition and the perception of new entrants, participants had in similar reasons for their attitudes towards both. In relation to CLSV, it is significant that participants were *not* threatened by competitors, indicating that they are not inhibiting regional economic growth and potentially open to the possibility of collaboration or co-opetition to encourage the cluster’s expansion. Participants had neutral attitudes and were unthreatened by competitors for four primary reasons:

 1) They have very few competitors and/or may view the competition as weaker overall;

 2) They are ahead in the markets and more established;

 3) They are a niche market business, so specialised that they may have no direct competitors in the region;

 4) They are in same the sect of the industry as their competitors but with a different business model or long-term goals for growth.

 While some participants explained their neutrality to competition and/or new entrants for only one of these reasons, a significant majority had multiple reasons for being indifferent in their attitudes towards competition. Businesses with few competitors did not view others as a threat when they were happy with the volume of business they were maintaining or the distance between the nearest competitors. The Farm Shop and Tea Room Co-owner explained, that while there are competitors, he does not really feel like they are competition, as they are in neighbouring villages. The Farm Shop and Butcher Co-owner stated that although their major competition was only about one and half miles away, that competitor had lost their focus on local food and operated more as small supermarket. This is different from their shop’s smaller, exclusively nationally or locally focused product base and appeals to a different customer base than this competitor and represents a different business model.

 The volumes other competitors produce also played a role in how participants viewed their competitors. The Cider House Owner noted that while his business’s production volumes were rapidly increasing, his single regional competitor was at capacity with no desire to expand further. Alternately, other participants were happy to remain small and at their current capacity despite the larger size of their competitors. The Traditional English Pie Maker noted that as he is older and does not want to “take over the world”, he does not want to expand. He has a solid customer base and is pleased with his current business plan. Thus, motivations for starting the business play a role in neutral attitudes as well. While some participants were retirees with the funds to take on a second career (e.g. the Goat’s Cheese Producers), younger owners had a stronger desire to expand and increasingly succeed as their business is their sole source of livelihood.

 The Gin Distillery Co-owner commented that their only regional competitor was using a rotary evaporator, not a proper still, producing small volumes and selling only a few bottles. But he did explain that even though they are in a specialist niche market regionally, there is still of risk of market saturation even if the competition is currently less. There is still a finite number of gin drinkers; the market will not double in terms of consumers. Thus, in this way, as the cluster grows, individual firms are negatively affected – there is only so many consumers – which may negatively affect shared value creation in the long run and possibly the strength of the cluster as a whole.

 The two largest SMEs interviewed – the Gin Distillery and Salad Dressing Company – do not have many regional competitors but also distribute in the national and international markets. While they both represent specialist businesses with little competition in the region itself, there is much greater competition further afield, in these larger markets. However, both businesses are ahead of their competitors in sales and in distribution. The Gin Distillery has experienced rapid growth; in their first four years, they have doubled their volumes year on year and distribute nationally. The Salad Dressing Company interviewed has been open for over ten years and has international distribution reported that they had received updated information that “showed our growth about how our competitors [in the UK] are doing and we’ve outsold them”. To that end, the larger businesses considered showed neutrality towards new entrants and competition because they are ahead in the market:

 Small specialist businesses echoed similar sentiments when discussing their competition and the possibility of new entrants, particularly in cases where there were no competitors in the region and they are also ahead in the market. The Cow’s Cheese Producer noted that he is moving to a dairy farm wherein he will be able to get easy access to milk and he is also ahead in the market.

At present, the Cow’s Cheese Producer is the only one making his types of cheeses (e.g. blue cheese or cheddar) in the region. The Goat’s Cheese Producers did not think new entrants to the cheese sect of the industry would start making goats’ cheese and noted that their way of making cheese is impossible to duplicate even if a new entrant emerged. They have the sole prototype of its kind in the world for the process, representing a unique business model. The two firms making cheese they make it from different animals; it was explained in both interviews that they do not view each other as direct competition as they have different customer bases, depending on goat’s cheese versus cow’s cheese consumer preferences.

 Others, while not viewing new entrants as completely positive, did not view it as completely negative either and had a mixed reaction to them. In some ways, they saw it as a sign of their success. The Hamper Service and Online Shop Co-owner noted that if another business wants to copy their ideas, while it could be a threat, it means they are doing something right and is flattering. While there are other hamper delivery services in the region, her business is the only who uses strictly local products in their baskets, representing a niche market. The Chutney and Jam Producer concurred: “[if] somebody wants to steal your idea then it is a good product.” Caterer B1, views new entrants as a “kind of positive”, as it makes them work harder and gives them more ideas.

While there may be positive gains from competition such as learning from your competitors, the Cider House Owner cautioned, similarly to the Gin Distillery Co-owners’ sentiments: “At the end of the day, it is great to have competition because it proves the market is healthy, otherwise there would not be all those people there but I would say there is a critical number”.

 Building on the mechanisms of collaboration and competition, another key theme that emerged among participants related to their collaborative efforts and engagement in co-opetition relates to the SMFDG’s central ethos of supporting local businesses and local produce. This emerged as a mechanism wherein participants create social value for the region related to the identification of themselves as a distinct community with pride in the region and a goal to support local produce, which in turn aids the growth of the regional economy, though indirect social-to-economic level value creation.

**5.3 Mechanism: Community Identity, Pride and Support of Local Produce and Businesses**

 One of the key facets of CoP theory is the role of identity among its members. Members of a CoP have a shared competence that distinguishes them from others and a commitment to a shared enterprise within their domain (Wenger, 1998); this concept will be expanded upon further in the second analysis chapter. In the case of the SMFDG, this competence is that they understand the importance of the food and drink industry and of the importance of “buying local” for the regional economy. Members of the SMFDG share the common goal of supporting each other, local businesses and produce, aligned with the ethos of the organisation. Its members are committed to working collaboratively in a purposefully-formed grassroots setting, building relationships and sharing knowledge to help meet these goals, also aligned with the three key tenets of CoP theory (i.e. mutual engagement, a joint enterprise and the development of a shared repertoire). This is aligned with Malmberg and Power’s cluster criterion that “there should be some form of self-awareness among the cluster participants” (2006: 57) that they are a cluster and determined to develop together as a cluster.

 The SMFDG represents the intermediary platform for them to collaborate and grow, reflecting a form of *direct* shared value creation. All participants take pride in their communities (e.g. in their local villages or towns), the region itself, and being part of the food and drink cluster. Regarding the term “community” two types of community can be identified: the SMFDG community of members itself, which is the focus here, and the conventional communities in which they operate in, which will be addressed in the discussion section more specifically with regard to indirect social value creation that creates indirect economic value creation, more so than the other proposed three mechanisms of value creation. This mechanism is the driving force for the CLSV framework for indirect social level value creation to indirect economic value creation that ultimately leads the other three mechanisms of potential shared value creation. Participants often put the goal of supporting local produce and businesses high on their agendas, branding, and advertising, recognising that many of their customers felt the same sense of regional pride in their communities and of buying local products. A strong correlation arose between pride, identity and supporting local overall.

 Identifying with the community, as well as taking pride in being part of it and the local food and drink movement, has an indirect social impact. Findings illustrate that at the individual firm level, participants engage with and practice socially responsible actions because of these feelings and wish to better the communities they operate in. This sense of pride is tied to the desire to support local businesses and buy local produce to ensure the local food industry thrives, which in turn bolsters the regional economy, leading to indirect economic value creation through their socially responsible actions. It is evident that the sector has a larger role to play in the economy, when considering the region as a greater whole. Also, when consumers buy products from the region, they are contributing to economic regional growth: “I live in [the region] so for me it’s very important…that’s where my kids are growing up. I know how it works; every pound spent locally is a lot more”. [Chocolatier Co-owner]

 Most participants commented on the regional economic impact of working together, but regional pride and sense of identity with the SMFDG and the communities they operate in represents the key driver for engaging in positive social actions. This is turn creates an indirect economic impact, leading to shared value creation, as discussed above. This is contrary to Porter and Kramer’s (2011) CSV concept, wherein businesses should choose social impacts based on the maximum economic impact they may produce, not the reverse, wherein here indirect social impacts cause indirect economic impacts. This is also contrary to strategic CSR, wherein social value is created through economic value directly.

 However, it is not always the case that businesses can support and buy local produce regardless of their desire to and sense of pride in being part of the region’s food and drink cluster and their communities. Price, quality, availability, and quantities play a role and can serve as barriers, as well as what businesses consider to be “local” (e.g. from the UK or from neighbouring regions). First considered here is the role of community pride and sense of identity among participants with the goal support each other, local produce and their communities. Following this, a consideration of how they support local produce and businesses to support this and barriers they face despite the attitude of pride is discussed. Consumer attitudes and cases of businesses who do not actively broadcast their connections to the region will also be considered.

**5.3.1** **Community Identify and Pride**

 The core ethos of the SMFDG centers not only on support and collaboration between businesses but also on the growth of the wider regional food and drink cluster. Members put an emphasis on being good, socially responsible members of the communities they live and operate in as well; the importance of community is echoed by employees of the SMFDG and its members. Creating social value is important; this was displayed in the views of all participants, as stressed throughout this study. Further, socially responsible actions creates awareness of them in the communities and can potentially cause an indirect economic impact for them (e.g. customers may have participated in events wherein they donated products and return to their shops to buy theirs). While they might not source all their ingredients locally, the SMFDG and its producer members have the aforementioned affiliated logo that they may use to brand their products with, sending a clear message to customers that their products are produced in the region, as well as the directory of members they distribute in their establishments. This reflects their identification with and pride in the regions and communities in which they operate, as well as in as members of the SMFDG.

 Shops also actively advertise that their products are regionally based and source products from the SMFDG directory to ensure this. Further, the Food and Drink Awards provide an opportunity to showcase the best products and eateries in the region and for the sector to get together to celebrate their achievements. Many participants highlighted the event as having tangible increases in their sales after receiving related accolades. Also, they noted that the Awards and that the SMFDG has facilitated a growing, supportive food and drink sector that does not exist in other regions from their experience. Further, that the SMFDG and Food and Drink Awards’ focus on creating growth in the local food and drink is raising customer awareness of what is regionally available, leading to sales increases and positive economic impacts for them.

 However, some businesses have experienced resistance and problems with their communities. The Gin Distillery Co-owner noted that when they first opened, people in their local village were worried about “millions of car turning up when we started” and that the complaints and objections they received were “unbelievable”. People he has never spoken with said they knew him well and that “there will be drunks going up and down the village”. The Fruit and Vegetable Box Supplier sponsored a charity to aid deaf persons but received very negative backlash on social media for not supporting an agriculture or animal charity.

 Businesses involved with the SMDFG and the wider food and drink sector identified three main types of pride: in the region, their communities, and in the community of SMFDG itself (i.e. the CoP) and beliefs aligned with their ethos. Many also recognised that collaborations with local businesses helps to ensure the viability and stability of the growing cluster overall. Participants who actively brand their products with the SMFDG logo or shops that related their slogan to the region (e.g. a fictional slogan such as “proudly selling [the region] products”) expressed pride in being part of the local food and drink movement. Most want to put the region’s products “on the map”, where consumers nationally and internationally would identify the region with their product and have put the region’s name in the titles of their products, reflecting their pride in being a part of the region. For example, the Cow’s Cheese Producer calls one of his cheeses “[the region] Blue Cheese.” This is similar to well-known products such as the alcoholic drink Champagne, wherein the grapes must be made from the French region of the same name, or Cumberland sausages from the Cumberland county in England. The Cider House owner desired to brand his ciders as identified with the region: “I have always had the idea of how [his brand name] Cider is synonymous with [the region] and [another brand name] beer is synonymous with [the region] that [his brand name] Cider will be with [the region]”. Pub and Brewery Employee 1 echoed this sentiment: “To me, where we want to be is: ‘[their brand name] is beer is [the region]’. We want to be the regional brewer”.

 However, interviewees from the two largest SMEs noted that broadcasting the regional aspect is not as important to them as they expand nationally or internationally. The Salad Dressing Company Employee noted that because they are based on a long-standing farm in the region, they do advertise that it is made there, but because they are an internationally growing business, it is not as important to them. On the other hand, they did express that they would continue to sell to regional farm shops, stressing the importance of never forgetting “your roots”. The Gin Distillery represents perhaps the fastest growing business interviewed, which has affected their level of involvement with the community and the SMFDG, as they simply do not have the tim. The responses from these two businesses indicate that as they expand, identifying their product with the region will become less important. However, the SMFDG labels remain and will on their products, as well as continuous participation in various other activities (e.g. attending meetings, events, hosting training sessions) to engage with the SMFDG, its members and local businesses where they can and are able to.

 In the long run, as businesses expand, this could potentially have a negative effect on CLSV, as they will have less time to invest in social value creation. It is pertinent to note detachment from the region and community is not the same for other fast-growing businesses, such as the Cider House Owner and Cow’s Cheese Producer given as previous examples, who are looking to distribute further afield nationally and internationally as well.

 When discussing the SMFDG itself, many participants expressed the sense of community and belonging that is embedded in the group. Brewery Co-owner A noted that they have the SMFDG logo on all their beers and that the county is a “massive hub of beer producers. It is amazing to be part of it; we all shout it from the rooftops”. Aligned with this comment, the SMFDG was highlighted by many participants as instrumental in bringing businesses together in collaborating and making them feel as one community, as businesses who are “all in this together”. While this study is not based on secondary data, it worth noting that on social media channels as aforementioned, members of the SMFDG are extremely active in supporting and promoting one another. On using SMFDG’s branding and being part of its community, the Chutney and Jam Producer explained: “I think it does add a sense of being, you know what I mean? And feel”. This sense of value does not relate to shared value creation that causes economic and social impacts in a direct sense. However, indirectly, this pride in being part of the SMFDG and the sense of belonging it provides can be viewed as a key motivator for members to interact with one another collaboratively and actively participate as members of the SMFDG (e.g. regularly attending events and meetings), to create indirect social and economic impacts for the group and the region. Importantly, the use of branding and pride in the region is *specific* to the region itself, further solidifying the regional element associated with clustering and pride in being part of the SMFDG.

 Others noted that while they may distribute and sell their products in other regions, the local food movement occurring in the region and support does not exist in the neighbouring regions. During the SMFDG quarterly meeting observed, Goat’s Cheese Producer 1 exclaimed: “Thank God for the SMFDG”! The Butcher and Deli Owner agreed: “…well, [the region] is blessed by [the SMFDG]. I mean blessed… Compared to [the former region he lived in], where we used to be, [the region] is blessed”. The sense of pride in the local food movement was also tangible at the Food and Drink Awards – it was clear that they are proud to be a part of the cluster. Further, the support system provided by the SMFDG does not exist even in directly neighbouring regions. The Farm Based Business Employee noted that in other regions, the same love for food and local collaboration does not exist; it is completely different and “all about food and drink”.

 Aligned with collaboration, it was found that participants actively promote the SMFDG and its members in varying ways. They recommend businesses to others for collaborations, tell other businesses about the SMFDG, encourage them to join the SMFDG members, and promote local businesses and the SMFDG on social media platforms and their websites. Members are often tweeting and posting about SMFDG, its members and other local food businesses. The SMFDG has a website dedicated strictly to the Food and Drink Awards and actively uses social media to promote local businesses and products.

 The Food and Drink Awards arranged by SMFDG has not only contributed to a sense of community among its members – but has also contributed to a growing awareness of the local food and drink sector among consumers and in their communities. Being a finalist, runner-up or winner in the Food and Drink Awards has led to a tangible increase in sales for some participants. After winning the “Local Food Hero of the Year Award” the Café and Bakery Employee reported: “We didn’t really expect to win it and the next day we had queues out the door”. The Chutney and Jam Maker exclaimed, after winning the New Local Product of the Year Award for a marmalade said his business has since tripled. The Butcher and Deli Employee, after the business won the Artisan Local Product/Drink of the Year Award for one of their bacons, reported that sales “went through the roof” for the year after – only after three years of winning it have sales tapered off. Related to CLSV, with theSMFDG acting as a intermediary to indirectly create shared value, the Food and Drink Awards creates economic value for businesses and strengthens the SMFDG members as a community.

 The success of local businesses – food and drink ones and otherwise – has a tangible effect on the regional economy and helps sustain them all. The Pub Owner reflected on the importance of this, stating the importance of viability for all businesses in the area thrive and be passionate about the region: “If the town center dies, then the town dies and people that visit me may visit the town centre and there’s that ever-increasing circle a couple of miles from the town center”.

 The SMFDG’s formation in the immediate years following the financial crisis can be perceived as perfectly timed to support and facilitate relationships between food and drink SMEs. As discussed in the case study context, before the crisis and recent decades the region – particularly the region’s capital – has suffered the loss of industries and has become more socioeconomically impoverished. This is changing, however. Pub and Brewery Employee 1 noted that he has seen a re-vitalisation in the town center since previous decades and a willingness for businesses and the community to make it more vibrant again.

 The SMFDG and its members are also instrumental in “spreading the word” to their customers about local food and drink businesses, passing on recommendations about where to buy local as well as give out directories in their shops. Economic benefits aside, raising awareness disseminates pride into buyers about the local food and drink sector who may not have been aware of it. In turn, this may give consumers a sense of pride in the region knowing there is such a vibrant local food and drink movement. And potentially, it may motivate others to open their own food and drink businesses. When discussing the Food and Drink Awards as well, the Butcher and Deli Employee noted: “I think, for the food and drink sector as a whole, especially the Food and Drink Awards, it does bring that [local] to the forefront of people’s minds”. Again, this has positive shared economic and social impacts and effects on both small food and drink businesses and their communities, as consumers become more aware of the local food and drink group through the SMFDG and the Food and Drink Awards.

 Different businesses noted different customer bases among their clientele. Some pointed out that customers are willing to pay a higher price to get quality products. The Traditional Pie Maker noted that when he sells pies in his village, people are genuinely excited to know that everything is sourced locally, reflecting consumers’ pride in buying local foods and are wiling to pay a higher price as a result.

 Others noted that their customers are looking for local to start with and otherwise would not be in their shops or buying their products, hence also willing to pay a premium. The Cider House Owner remarked: “I’ve done a few tastings in shops and you know when you’re there, everyone is into the whole foodie thing anyway”.

 It was also explained that in recent times, people are becoming increasingly aware of the provenance of their food, where it is from, how it is made and concerned about ethical consumption. Goat’s Cheese Producer 1 explained: “I think consumers are getting very much more aware of where their food comes from”. Aligned with the notion that consumers wish to buy local and in turn benefit the regional economy, the Co-op Employee and Shareholder 2 noted that their customers are well-informed and curious; they are more concerned about supporting their local economy than before.

 Other businesses explained that when their customers find out their product is local, they are keen to support it as a result. The Vineyard Owner noted that when customers found her vineyard that “They are delighted that there is something local that they can come to. And they don’t know they have a local vineyard and promoting English wine in general”. Other participants found their customers wished to have *only* regional products. When the Hamper Service and Online Shop opened, they initially used products from other neighbouring regions, but found that customers are less interested in these items; they want them to from the region specifically. However, others noted that customers lack interest in sourcing local food or considering it due peoples’ busy lives and interest in convenience shopping as examples, or just merely lacked awareness that it exists in the region.

 In this section, exploring community identity and pride related to indirect social and indirect economic impacts was considered with a view to understand how social level value creation indirectly impacts economic value creation. To that end, another element that emerged as a sub-section of the community identity and pride mechanism was how the firms engage in supporting local produce themselves. The next section will consider these actions with a view to barriers faced in supporting and using local produce in their establishments and products.

**5.3.2 Support of Local Produce and Businesses**

 The potential value creation mechanism of community identity and pride is exhibited also in the SMFDG’s ethos of the importance that members source local produce and support local food and drink businesses. From the data three attitudes towards buying local produce emerged: staunch support of local produce, support only where possible and less prevalently occurring, where businesses do not prioritise supporting local on their agendas. However, even if participants want to support and buy local produce and businesses staunchly it may not be plausible or possible. How firms defined the term “local” also varied, with some viewing regionally only as local, or within their proximity to include neighbouring regions or national as being local, outside the cluster’s regional boundaries. This section will address these issues starting with the data that emerged related to positive attitudes towards supporting and sourcing local produce and in turn, businesses and the regional economy aligned with the CLSV framework. Barriers to supporting local produce are considered to the detriment of CLSV are considered.

 The most common response by participants was that they are dedicated to supporting local produce and businesses. As aforementioned in the methodology, while in some cases this response was possibly because they knew this response was desired, a search of their websites revealed that most participants stock local or use local products. However, the majority also said that even though they want to support local and do where they are able, it is sometimes not possible or feasible to do. Quality, availability, practicality, and price were considerations or barriers to supporting local for many small firms facing limited budgets and time, having a negative effect on regional economic value creation as a detriment to the CLSV framework. The only participant who did not have these difficulties was Hamper Service and Online Shop Co-owner. Ninety eight percent of the business’s products are directly from the region, primarily sourced from the SMFDG directory. This is a testament to the large number of small producers in the region.

 Some participants said that while supplying and using local products would be ideal, it is not practical cost-wise for them to trade with local businesses for various reasons. Sometimes, it is not worth their time to make and deliver smaller orders to them. The Farm Shop and Butcher Co-owner said, “I understand because I am one of those smaller producers,” about cost issues. A way to circumvent the quantity and cost issue, the Cow’s Cheese Producer noted, is to develop enough local clientele in one area to make multiple deliveries. He makes all his deliveries over one and a half days in the region and neighbouring ones. He refuses to make any special trips if a customer did not place their order in time.

 Another issue related to practicality and cost in supporting local was whether the product could be sold, or would be wasted, at a loss to the buyer. Stockists buy from producers at a premium rate and then sell them for profit. When discussing stocking local products, the Farm Shop and Tea Room Co-owner explained: “Oh yes [we will buy local] … if I think I can sell it, I will have it. But there is no point in putting money on the shelf because everything you buy, you buy”. The Butcher and Deli Employee concurred, that while they will try out any local product, if it does not sell, they will not try it again, particularly if they are perishable items that will ultimately be wasted.

 The Chutney and Jam Producer said that while he uses local fruit and vegetables as much as possible, at times the cost is just not worth it for him. He elaborated on this with this anecdote: “Last year a pick-your-own farm five miles [from fruit trees] from my house, it was actually cheaper for me to go and buy from somewhere that imported them from Spain than it was to go and get them direct from the plant that grows them”. He went on to explain that in picking your own fruits, you are also doing the work for the farm that the farmers or their staff normally would do, for double the price of imports in supermarkets. Caterer A saw cost as a general concern for small businesses as well, making it not possible for them to source local products.

 Another barrier to supporting local produce that arose was quality. Essentially, many participants explained that they even if a product is local, if the quality is not as good as from other regions, they will not purchase it. The Farm Shop and Tea Room Co-owner who as aforementioned supports local where possible noted: “Local but has to be the best quality”. The Butcher and Deli Employee explained that although buying local is important to them: “So is quality… we’re not going to buy crap beef just because it’s local”.

 The Pub Owner concurred that there is a fine balance between price and quality. They use the local butcher despite it not being the cheapest, but it is high quality meat. Similarly, the Fruit and Vegetable Box Supplier noted that the mixture between price and quality is important. Even though he knows of products he can source locally, it costs too much for his business. This resonates with another barrier participants face to support and source local products, namely availability and seasonality. The Home Bakery Owner noted that you can get raspberries all year round, but not regionally in the winter months.

 Another key reason why participants were unable to source local produce is simply because they products are not regionally made. Caterers B1 and B2 pointed out that most of their spices are of Indian origin and most are unavailable to buy regionally. Chocolatier Co-owner explained, “Basically chocolate is chocolate [from cacao beans] which is clearly not from [the region]”. The Pub and Brewery have plans to create local sources in the future for products currently not available in the region (i.e. hops and malt). As this particularly brewery consists of a parent company and acquired brewery, the premises also had recently opened a restaurant. Pub and Brewery Employee 2 said that they want to source local food “but it’s still early days”. The Gin Distillery Co-owner pointed out that their volume has increased a great deal, so while the first year their sloes were hand-picked locally that is only a small percentage now; expansion has effected their ability to locally source their ingredients.

 Thus, while most businesses staunchly support local produce, they were often hindered by barriers to do so and are only able to support where it is possible and practical for them. A third significantly less common attitude in contrary to these were participants did not prioritise supporting local as high of their agenda. Specifically, only two respondents commented on this. The Pay as You Feel Café focuses on not local food necessarily; they “rescue” a great deal of food from around the world. However, this café “rescues” a great deal of food from the regional businesses specifically due to the awareness it has raised to help the communities in which they operate. It is in an impoverished area of the region’s capital; they take pride in feeding the vulnerable residents there as an extension of a larger network of similar venues. The Co-operative that participated is quite actively engaged with the SMFDG. They do stock local and national products, but also ones from around the world. However, they do use only UK importers to do so. They do understand the importance of supporting local, but they have asked them to change certain things (e.g. labels) before they will stock it when they are approached by producers. While they may not have it as high on their agenda, they do recognise the importance of local food and drink businesses and the regional economy.

 While most businesses considered “local” to be only from the region as aforementioned, some took the viewpoint that supporting “local” involves supporting neighbouring counties in their proximity (i.e. not of the region). The Farm Based Business Employee noted that they stock from neighbouring regions and consider it all local because it still British. Others mentioned products they stock from neighbouring regions and referred to them as “local”. Similarly, the Butcher and Deli Employee, while expressing pride in the region and the community in which they operate in specifically, explained that they were willing to stock strictly good quality British products, not just regionally local ones. Although all the stockists interviewed had a wider reach than selling only products from the region, they all engaged with small producers or trusted British national wholesalers from the country. This indirectly has a positive effect on the economic value creation, as the profits from exporting outside the region are funneled into the SMFDG’s regional economy, but also on the nation as a whole.

 The honesty of other businesses as to how “local” their products was also an issue raised by participants, some on and some off-the-record that are not discussed here. As would be expected, none of the interviewees themselves reported engaging in practices wherein products branded as “local” were in fact, not. The SMFDG’s CEO commented that there is no way to track all products sourced, used and branded as “local” by firms to ensure authenticity. A shop, restaurant, or producer, for example, may say the products they stock or use in their products are “local”, but it may be untrue. The Fruit and Vegetable Box Supplier noted that one of his customers advertises using free range eggs on their menu, for example, but only use them for one small dish and caged-farmed eggs for larger menu items.

 Despite the barriers small businesses in the region face in sourcing and producing local of practicality, cost, quality and availability, it should be re-emphasised that these barriers do not indicate a lack of desire to support each other, the region and in turn, their communities. As the Vineyard Owner put it: “The only thing I would do [for future directions] is to continue to support local. God help me if I go out and I let anyone down. You must not let local down”. Brewery Co-owner A explained that supporting local businesses was a priority from the beginning: “It’s hard to start a small business, especially food and drink and not have that focus. You know how important that’s going to be to you”. Thus, these barriers represent those that small businesses face in supporting and buying local, not a desire to be unsupportive of it. Notably, many of the businesses interviewed are five or less years old and are finding survival a struggle still.

 However, many are engaged in industrial upgrading and business expansion, or have plans to do so. This may lead to a change in their economies of scale and place them in a better position to support and source local produce, creating indirect economic value impacts and indirect social value impacts. The next section will address industrial upgrading and expansion as a mechanism to encourage regional economic development of the sector and attitudes participants have towards it.

**5.4 Mechanism: Industrial Upgrading and/or Business Expansion**

 Industrial upgrading can be defined as “a process of improving the ability of a firm or an economy to move to more profitable and/or technologically sophisticated capital and skill-intensive economic niches” (Gereffi, 1999: 51-52). Industrial upgrading has been identified as a driver for increased differentiation and growth within a cluster. It can serve as a key process of change in clusters, resulting in improved technological capacities in firms. (Nadvi and Barrientos, 2004) It is argued that upgrading increases firm competitiveness, advances their position in global value chains and improves their abilities to acquire a larger share of value (Humphrey and Schmitz, 2002).

 When discussing whether industrial upgrading and/or business expansion occurred among participants, the majority were engaged in these activities on varying levels or intended to in the future. This often requires a short-term loss of profit (e.g. by hiring more employees or investing in expensive equipment) that will hopefully lead to long-term goals for the firm’s growth. Industrial upgrading can potentially lead to sustained employment and enhanced worker and producer capabilities, leading to improved productivity. It can also lead to increased economies of scale that may lead to greater production volumes, allowing SMEs to meet the demands of national or international markets. (Nadvi and Barrientos, 2004)

 Among the study’s participants, industrial upgrading was identified as an avenue that may allow them to meet the demands made by larger retailers and supermarkets that have previously been unattainable (e.g. volumes and their labels). It can also create employment, the opportunity to take on apprentices, attract more business to their communities, all of which could potentially lead to economic revitalisation and regeneration in their communities and regionally, leading to an indirect social impact, aligned with the CLSV framework. It could also provide further profits in the long-term to allow for them to engage more actively in socially responsible activities in their communities overall, at even a philanthropic level (e.g. raffle donations or sponsorships of causes) that may raise awareness of their business to lead to economic growth through an increased customer base in support of the CLSV framework further.

 Participants engaged in industrial upgrading or plans to in the future primarily perceive it as a strategic move for current or future business growth. Industrial upgrading among participants has the potential to have a positive impact on their businesses with an indirect positive social impact as discussed above, contrary to the CSV concept’s stipulation that businesses should choose social initiatives that will create the greatest economic benefit. This indirect form of social value creation via economic value creation through industrial upgrading supports the CLSV framework further.

 However, industrial upgrading and/or business expansion is not­­­­ without risks; some explained that it is a gamble as there are unknowns as to whether business will increase after the investment. Others, however, stressed the need to expand to keep up with demand. Nearly all the businesses interviewed reported that they face numerous different barriers to industrial upgrading and/or business expansion, sometimes limiting their abilities to engage in certain expansion projects, despite being able to engage with others though. Only three of the businesses interviewed were happy to remain at the size they are, as they found their current capacities manageable and were satisfied to stay that way and are not discussed in-depth here as a result of this lack of prevalence. The following section considers how businesses are engaged in industrial upgrading and/or business expansion, followed by a section on the barriers they face in doing so.

**5.4.1 Engagement with Industrial Upgrading and Future Upgrade Plans**

 Participants engaged in business expansion and/or industrial upgrading in numerous ways, the most common of which occurs as their business grows organically over time to keep up with demand. This means upgrading and buying new equipment as needed. The Home Bakery Co-owner noted that she is always buying new kitchen equipment in short bursts, such as utensils. The Chocolatier Co-owner noted that: “Basically we have totally natural growth. Make money, we buy a machine, and that’s it”.

 Other participants did not anticipate selling their products at all initially, but as their activities grew, they realised it was necessary and they could turn it into a business. The Farm Shop and Butcher Co-owner noted that her and her husband started out wanting to have a farm, where they knew the food was local and ethically produced. Within eighteen months they had over one hundred pigs, creating the impetus to open the Farm Shop and Butchers. The same was true of the Vineyard Owner, who did not sell any wine for the first five years as she was growing the vines as a retirement project. She realised that her vines produce so much excess wine every year, selling it seemed like the next logical step, explaining: “I didn’t sell any wine for the first five years and then finally I found that these vines produce wine every year and you can’t drink it all, so you have got to sell it”.

 Another common way of business expansion among participants was to begin engaging with online sales as part of their business model. For some this has been very successful. Caterer A, after moving to her fully fitted commercial kitchen, joined an online lunch service that delivers daily to corporate businesses during the week. The move to her rented commercial kitchen represents an upgrade after she outgrew her home kitchen when it became as such that “everything was everywhere”. The success of her online lunch orders necessitated hiring part-time morning staff as well, supporting CLSV.

 While some participants upgraded or expanded their businesses as they grew, other bought equipment in anticipation of future business growth. The Salad Dressing Company that is based on a farm and makes their products on site has invested processing containers for their seeds that will double their volumes. Considering how fast their business has grown in recent years, they are anticipating what they may need so they can be prepared. The Salad Dressing Company Employee also noted that in the past, they struggled to keep up with demand and given their current growth in sales, doubling their containers was not a foreseeable risk for them. However, the Cider House Owner noted there is a risk to buying equipment in advance: “You’re buying it with the view that you will sell, but it’s the chicken and the egg thing. You can’t expand without it, but you have to hope you are going to expand in order to justify it”.

 Another element of risk was experienced by participants when they first started up their businesses. Brewery Co-owner A encouraged her husband to turn his passion for brewing from a home to commercial basis and they sold their house to buy everything for the brewery. The Cow’s Cheese Producer, after making cheese at home for years, went on a commercial cheese making course. The very day after, he bought his equipment and rented his unit with his savings. Thus, there can great financial risks faced in starting up for some participants; it can be a gamble.

 Some participants that have experienced steady or rapid growth in their sales are struggling to turn a profit. While this could have an indirect negative economic on their business at the firm level, this can lead to the creation of shared indirect social and indirect regional economic value, supporting CLSV. The Gin Distillery Co-owner noted that they have doubled their volume year on year the first three years, and now employ ten full-time staff. While hiring staff has helped facilitate their rapid growth (e.g. sales and marketing directors), this business expansion has also caused increasing overheads that prevent the owners from earning much profit, which will be further affected by the purchase of a second still to industrially upgrade keep up with demands. Another example is the Fruit and Vegetable Box Supplier. He started the business in his bedroom and now leases an office and cold storage space, and has an increasing customer base, delivery vans and drivers, supporting the CLSV framework. However, he notes that although he is growing at a steady rate, in his last year he marked a loss of 400 pounds.

 Other participants reported experiencing fast, unexpected expansion. This could be related to the Food and Drink Awards and promotion by the SMFDG to raise consumer awareness of local food and drink businesses. This has necessitated buying new equipment for some, employing more staff, or relocating to larger premises. The Cow’s Cheese Producer has relocated to the dairy farm where the cheeses’ milk is produced into a more efficient unit. Previously he had been having difficulty keeping up with increasing demand and is now able to use ten times the amount of milk as before in his production, allowing for further future business expansion as well.

 Going forward, many participants expressed a desire to expand their operations and grow their business in varying scales. The Cider House Owner expressed his interest in distributing nationally and possibly internationally in the future on the more ambitious side of the spectrum, whereas others would like to remain smaller. For example, the Home Bakery owner wants to expand year on year and promote her products more, at a slower growth pace. While the Gin Distillery Co-owner noted that due to their rapid growth, they will likely need to add a second still to their operations, as aforementioned, others did not anticipate expansion. The Chutney and Jam Producer was pleasantly surprised at how quickly his business grew and is likely opening a farm shop. However, as will be discussed in the next section, he is not willing to risk the quality of his products and will continue to make his own, representing one of several barriers participants faced to industrial upgrading and/or business expansion.

 Despite relative successes in business expansions and/or industrial upgradings experienced among participants, many faced barriers were identified in doing so, and are considered in the following section.

**5.4.2 Barriers faced to Industrial Upgrading and/or Business Expansion**

 Participants reported several barriers or problems faced when trying to expand their operations that could affect their economic situation negatively. Financial struggles and start-up costs are common concerns for SMEs. Among participants, many reported that while they would like to engage in activities related upgrading their equipment or expanding their business, they were concerned that the risk faced in doing so would not ultimately lead to financial gains.

 Brewery Co-owner A remarked that while they are at the stage now were they could possibly use a kit twice their current size, more fermenters and a bigger van, the total cost is a big financial commitment to make for their small business. The Farm Shop and Butcher Co-owner reported that although she would like to enlist a public relations, marketing, or advertising person, they are “expensive gambles”. Related to advertising, she also noted that it has not worked well in terms of return in the past, citing the use of the website Group-On as an example. While Group-On offers vouchers and coupons online to customers at a discounted rate, she found that it did not bring back repeat customers. Farm Shop and Tea Room Co-owner explained that when he has advertised in a local magazine, it cost him eighty pounds to place the advert, but brought in only half a dozen more people. Thus, the costs of expanding can potentially outweigh the financial gains.

 Some of participants have few staff, if any, which hinders their abilities to expand their operations and makes it difficult to explore ways of gaining profit. Caterer B1 noted that even though they want to expand and do more events, there is only two of them, which limits what they can do. Caterer A noted that she would like to expand and concentrate on more promotions (e.g. fliers and events), there is not enough incoming money or staff for her to do so.

 Smaller producers have higher overheads, which can necessitate higher production costs. The unwillingness of potential customers to pay slightly more for a higher quality product was another issue that arose as a barrier to expansion. The Farm Shop and Butcher Co-owner explained: “We can sell a leg of pork for 9.5 pounds a kilo and we’re deemed to be expensive. We don’t make any money on that. Growing the animals, the way we do ethically, it isn’t cost effective”. The Farm Shop and Tea Room Co-owner noted that people will go to the supermarket for convenience, but the quality is not as good.

 A significant issue for some participants was that if they were to expand through outsourcing or industrial upgrading, it would reduce the quality of the product. The Butcher and Deli Employee noted that they outsourced their sausage rolls as it is a labour-intensive job. After a couple of weeks of the quality being up to par, this declined, and they returned to making it onsite. On making production faster and more efficient, the Chutney and Jam Maker noted that although he could buy equipment to make larger batches, it will take away from the quality and authenticity of his products

 Another barrier faced in expanding physical space was hindered by a commitment to the communities they operate in. The Butcher and Deli Employee noted that although they could use more space to meet production demands—hence outsourcing the sausage rolls—they have been in their community for ninety-odd years and are committed to them after everything after all the have done for them through the decades. Economic value creation is hindered by social considerations for them. On physical space as a barrier to expansion, the Gin Distillery Co-owner noted that if they get a second still, it would take a lot of building planning and costly reconstruction of their premises to accommodate it.

 Lastly, bureaucratic issues related to grant funding or licensing were noted among some participants, hindering their economic development. The Butcher and Deli Shop Owner argued that many larger grants require the applicant to possess the same amount, which for small businesses is often not possible. In terms of licensing, Hamper Service and Online Shop Co-owner wanted to start selling alcohol with their hampers and in their online deli but they have to go through the same application as a pub or restaurant, with the exactly the same rules and costs affiliated with doing so.

 The Vineyard Owner noted that there is a tremendous amount of paperwork associated with grants and licensing, which was echoed by other participants. Thus, despite many participants in the study able to engage in expansion or industrial upgrading, there are several barriers they face in doing so.

**5.5** **Conclusion**

 When considering each mechanism separately, the mechanism of collaboration shows that value can be created from an economic-level to a social-level and vice versa, or have singular social or economic impacts, whereas other are neither or neutral but nonetheless beneficial businesses. The mechanism of attitudes towards competition, particularly co-opetition, highlight economic-level to social-level value creation, as does industrial upgrading and/or business expansion mechanism. The mechanism of community identity and pride, on the other hand, highlighted how social- level value creation can lead to economic-value creation, whereas industrial upgrading and/or business expansion is the opposite. All mechanisms support, as a whole the CLSV framework, and the indirect ways it can create shared economic and social value creation, although not without hindrances and barriers that were also considered (e.g. market saturation and costs, time, and labour).

 Findings show that positive social outcomes that can in turn create indirect economic value also occur at the level of the individual firm, unrelated and not caused by these mechanisms of clustering that can potentially create shared value. Some examples are the community garden built by the Farm Shop and Butchers, the Bakery and Café and their work with women offenders, the Cider House sponsoring a local kids’ baseball team, and donations made to raffles and charities. Porter and Kramer (2011) suggest that shared value is created by identifying and addressing social problems that would provide their business with economic benefits, creating measurable business value using this management strategy, as aforementioned. The findings illustrate that while this may be an effective strategy for large corporations, it is not a business plan practiced or necessarily practical for SMEs or SME clusters. SMEs often practice positive social activities (i.e. CSR) in their communities because it is “the right thing to do”’ (Jenkins, 2006), not as a business plan with chosen initiatives that will give them positive economic impacts. Every participant stated that engaging and helping the communities in which they operate – where many also live – is important to them. When SMEs engage with the communities positively, this can in turn lead to support from their communities and customer loyalty. This can also in turn have a positive economic impact on them as it creates community pride and identity from both the business and consumer side. Social and economic value creation occurs indirectly in CLSV between members, it was found, and at a more direct level through the SMFDG. The SMFDG acts as an intermediary to facilitate collaborations among members, bringing wider exposure to the region throughout events and their accessible directory and view not just the community of the SMFDG as important, but the communities in the region they operate in, a sentiment echoed by all members interviewed.

 Thus, at the SME cluster level, economic impacts can indirectly have positive social impacts, and vice versa. At the individual level, SMEs can create positive social impacts that can inadvertently lead to a positive economic impact. This represents a wider consideration of SMEs in clusters creating social value as a stand-alone business, which in turn can potentially create economic value, that emerged alongside as a contrast to CLSV related to clustering.

 Arguably, while orchestrated clustering can create economic value, it is the SMEs themselves that create the social value, then. In turn, their survival creates a social impact as they can continue to engage with their communities on different levels. However, the barriers that firms in SME clusters are apparent as well, as discussed throughout the chapter. While the CSV concept is based on larger corporations aiding smaller supplier clusters financially to create shared value, the CLSV concept highlights that in lieu of this, SMEs interacting with one another face barriers (e.g. time, costs, labour) to create social and economic value for the cluster. These barriers are faced between members of the SMFDG and also as the SMFDG acting as intermediary. These limitations and barriers will be further addressed in the discussion chapter.

 When considering CoP theory, findings also illustrate that while members of the SMFDG group do share a common enterprise, domain and aim to create a shared repertoire of resources. The next analysis chapter will explore whether or not the SMFDG cluster can be considered a CoP or an adaptation thereof, in line with the second research question.

**Chapter Six: Analysis Two**

**6.0** **Introduction**

 This second analysis chapter focuses on theory rather than empirics, and explores the other primary research question: Can SME clusters be considered a community of practice (or an adaptation thereof)? This chapters analyses the SMFDG through the theoretical lens of communities of practice (CoPs). It considers how CoP theory may be applied to the SMFDG, as a purposefully formed cluster, can also be considered a CoP based on Wenger (1998). It is pertinent here to reiterate that Cox (2005) argues that CoPs are not created, they evolve and are a creative force. While the SMFDG was purposefully created to support local businesses as a cluster, it can be considered an evolution of the region’s food and drink sector. Some SMEs were already in place and unaware of each other, as many participants noted, but the SMFDG evolved the sector to create a stronger cluster among its members. The SMFDG is constantly evolving, as well, and can be considered a creative, encouraging force for businesses (e.g. through training, exchange of ideas between participants, collaborations that give the members a chance to work on different products together). To reiterate, a CoP is a group of people with a joint enterprise who develop a shared repertoire to achieve these pursuits through regular, mutual engagement (Wenger, 1998). First, the usage of the words community and practice are considered, followed by his identified indicators that make up a CoP, a consideration of the three core dimensions of a CoP (i.e. joint enterprise, mutual engagement and development of a shared repertoire), followed lastly by a look at how situated learning theory and how level of membership or engagement (i.e. core, peripheral or marginal), which are also considered in the literature review. All elements will then be related to the SMFDG with a view to understand the second research question. Following this, the discussion chapter will consider how the potential mechanisms of value creation can be combined with a view to understand them.

 This analysis supports the CLSV framework, and demonstrates that in many ways, the SMFDG as an SME cluster mirrors the tenets of CoP theory. While Wenger (1998) primarily treats CoPs at the organisational, not the cluster level, which will be adapted in Tables Eight and Nine for the cluster level. Proposed here is an original theoretical contribution as to how clusters may create shared value – not as a *community* or practice but rather, as a *cluster* of practice, acronymised here as a CLoP, emerging as an adapted framework based on CoP theory aligned with the second research question.

**6.****1 Usage of Terms “Community” and “Practice” and their Applicability to the South Midlands Food and Drink Group**

 Wenger’s usage of the term “community” varies from conventional usage of the term. Recalling Table Two from Chapter Two’s literature review, Cox (2005) compared the “Expected Usage” of the term to “Wenger’s Usage”, discussed further Table Eight below and related to the nine differences between the expected usage and Wenger’s usage. This table considers each element in relation to the SMFDG to determine if they operate under Wenger’s (1998) usage and how these usages can potentially create cluster shared value, analysing each using findings arising from the data.

 Related to the SMFDG, each element will be considered here to determine if it can be considered as such and how their operations relate further to CLSV, clusters and CSV.

|  |  |
| --- | --- |
|  **Expected Usage (Cox, 2005) versus Wenger’s Usage (1998), in that order.** | **Relationship of Each Type to the SMFDG, CLSV, CSV and Clusters** |
| Tightly knit network versus Tightly knit relationships | * Arguably, the SMFDG meets **both** usages of “community” in terms of their network and relationships;
* Conventionally they do form a “network” (i.e there is a wide web of connections and collaborations a mong members);
* These collaborations can have both indirect positive and social impacts, as discussed in Chapter Five’s analysis, supporting the CLSV framework;
* However, particularly among core members of the group, there is a wide web of interpersonal relationships and comradery, which was witnessed at the Food and Drink Awards and meetings attended in particular;
* They are willing to share knowledge, meet regularly (i.e. engage mutually), and help each other often, towards their development of a shared repertoire that supports the SMFDG’s ethos of supporting local food and drink businesses (i.e. a joint enterprise), indicative of a CoP and its core three tenets.
 |
| Large scale versus Uncertain scale, probably smaller | * The number of members change as businesses do, so it is uncertain, but **aligned** with a CoP, the SMFDG is of a smaller scale, **meeting** Wenger’s usage.
* This runs contrary to Porter and Kramer’s CSV concept that includes larger corporations when creating shared value in clusters.
 |
| Neighbourhood based (geographically situated) versus Co-located in the workplace | * Wenger’s usage of the term community implies that “co-located in the workplace” is at the organisational level.
* However, a cluster is a group of similar businesses co-located in close proximity to each other as a replacement for the term “workplace”.
* Thus, the term “co-located in the workplace”, as an adaption of CoP theory, is replaced by the term “similar businesses co-located in a geographically proximal area” (i.e. as a cluster of practice).
 |
| Self-conscious/externally recognised versus Not recognised, not clearly bounded | * The SMGDG **meets** the expected usage criteria for a community, **not Wenger’s**;
* Meets Malmberg and Power’s criteria for a cluster: “there should be some form of self-awareness among the cluster participants and some joint policy action (‘we are a cluster and we are determined to develop together’)” (2006: 57);
* The SMFDG is self- conscious of the fact that they form a community of small food and drink businesses and is externally recognised as such by the wider community and region;
* Runs contrary to CoP theory, but reflects their commitment to members and supporting each other, leading to indirect economic benefits and indirect social benefits in the communities they operate in support of CLSV.
 |
| All-encompassing versus Specific to the enterprise | * **Meets** Wenger’s usage of the term

community;* While members participate in the communities they operate in, the SMFDG is a specific organisation engaging in their own specific practice as a CoP to support each other and the local food movement;
* In support of the previous analysis chapter’s findings, operating in this way allows the SMFDG to act as intermediary for its members and creates intentional economic impacts (e.g. through facilitating collaborations at meetings);
* This can in turn lead to indirect social and indirect economic impacts, supporting CLSV framework and contrary to CSV’s notion that social initiatives are chosen to maximise economic impact;
* For example, several participants have organised festivals together, which not only can provide exposure for their businesses leading to positive economic impacts, it also can have a positive social impact through revitalising the community as a whole.
 |
| Friendly, supportive vs. Conflictual as well as harmonious | * The SMFDG meets **both** usages of community, to varying degrees;
* They aim to provide members with a friendly and supportive environment in a collaborative setting;
* While everyone generally interacts harmoniously, there are tensions that could be perceived as conflict within the group at times, as exhibited by incidents of secrecy, fear of stolen ideas, being threatened by new entrants, and direct competition;
* This runs contrary to Porter and Kramer’s notion that applying the CSV concept to clusters automatically creates shared value; rather, these elements can be considered a disbenefit to potential value creation.
 |
| Unpurposive versus Purposive | * The SMFDG’s actions are purposeful and done to meet their specific goals, thus **meeting** Wenger’s usage of community;
* As discussed, clusters in Malmberg and Power’s (2006) definition indicates they are purposefully formed, aligned with this usage of Wenger’s use of the term community.
 |
| Static versus Ephemeral, creative | * The SMFDG is neither static (i.e. unchanging) or ephemeral (i.e. lasting a short time);
* However, it does **meet** the criteria of being creative as a community;
* There are so many varied and innovative products among the businesses and the SMFDG does encourage knowledge sharing between members to enhance their creativity.
 |
| Born into versus Voluntary | * Membership to the SMFDG is voluntary, **meeting** Wenger’s usage of the term community.
 |

# Table Eight: Usage of Terms “Community” and their Applicability to the SMFDG

Considering the criteria as whole, only one tenet – “self-conscious/externally recognised” – matches with the conventional usage of the term community, not Wenger’s. Four of the characteristics match Wenger’s use of the term explicitly and two are a combination of both categories. Thus, six of the nine criteria are matched with Wenger’s usage of the term community, with the static versus ephemeral, creative tenet being partially met only. The tenet of “neighbourhood based (geographically situated) versus Co-located in the workplace”, with the latter being related to Wenger’s usage of the term community, is more suited to an individual, organisational level and was adapted for clusters to say reflect “similar businesses co-located in a geographically proximal area”.

 It is argued here that while the SMFDG does contain some elements associated with the term conventional community, the SMFDG is aligned with the being a CoP overall recognising that in some ways the usages of them are treated differently as cluster, not an organisation. It also supports the research question asking if clusters can be considered a CoP, or an adaptation thereof. The usage of the term community is applied clusters, not individual firms, as Wenger (1998) intended. This loans support to the adaptation of CoPs into the proposed CLoPs to create shared value, supporting the CLSV framework overall. The analysis of the usage of the term community reveals that is aligned with Malmberg and Power’s (2006) definition of clusters and the tenet that meets the conventional usage of the term community (i.e. self-conscious/externally recognised versus not recognised, not clearly bounded). The analysis runs contrary into CSV as well, particularly with regards to conflict, tensions and SME clusters creating value without large corporations as reflected in the SMFDG.

To further solidify that the SMFDG or an SME cluster can be considered a CoP, or alternately a CLoP, Wenger’s indicators of a CoP (1998: 125-126) will be considered here in relation to the SMFDG as a cluster. They are:

|  |  |
| --- | --- |
| **Wenger’s Indicators of a Community Practice** | **How these Indicators are Applicable (or not) to the SMFDG** |
| **Sustained mutual relationships**:  | * Many members of the SMFDG are relatively new due to the organisation’s infancy itself and the newness of their own businesses:
* However, in particularly the case of core members, they have sustained mutual relationships that are collaborative and respectful as seem through their interactions at meetings or events and discussed in interviews, reflecting that they meet this indicator;
* As discussed previously, the focus on the quality of relationships in CoP theory – not the quantity – is reflected in the ethos of the SMFDG and theory justification for the study.
 |
| **Shared ways of engaging in doing things together**:  | * The SMFDG, as a cluster determined to develop together, are constantly engaging with each other at meetings, event, markets and food festivals, as examples;
* In doing so, they are engaging mutually with each other towards the development of a shared repertoire, aligned with their joint enterprise of supporting and collaborating with one another and the local food industry.
* This indicator of a CoP is met in these ways.
 |
| **The rapid flow of information and propagation of innovation**:  | * The SMFDG, while it may not a rapid flow of information per se, sends out regular emails about events and happenings in the food and drink sector (note that the researcher was receiving them as well);
* In terms of encouraging and propagating innovation, individual businesses are constantly doing so. As SMEs, they have to keep ahead of competitors with novel, innovative ways of producing their products (e.g. the gin distillery uses rhubarb from the Queen’s gardens, the Goat’s Cheese Producers use a sustainable trailer to make their products);
* The SMFDG actively seeks out innovative businesses that can provide a different way of marketing, selling and producing food and drink (e.g. the Vineyard and the Pay as you Feel Café);
* Thus, the SMFDG meets this indicator of a CoP.
 |
| **Absence of introductory preambles, as if conversations and interactions were merely the continuation of an ongoing process**:  | * The SMFDG is not formal in the way it addresses its’ members and the way members address each other, in line with this indicator as seen in various events through their informal communication, dialogue in interviewers about interactions with one another and in emails;
* Further, among members, they often are already familiar with one another and if not, introductions are informal and collegial;
* The SMFDG represents an ongoing process of encouraging businesses to collaborate and work together to grow the food and drink sector in the region;
* Thus, it can be seen as meeting this indicator of a CoP.
 |
| **Very quick setup of a problem to be discussed**  | * The SMFDG is very helpful in dealing with problem faced by members (e.g. they provide information on their website to assist them in issues they encounter and are always on hand to visit them or email them);
* Between members, they are often just a phone call or email away to assist other (e.g. the Cow’s Producer and the Pub and Brewery employees have helped others in starting-up or those having issues);
* In these ways, the SMFDG meets this indicator.
 |
| **Substantial overlap in participants’ description of who belongs** | * The SMFDG’s members do overlap substantially in their description of who belongs – they are all food and drink SMEs with a shared enterprise and goals;
* There is tangible sense of belonging within the SMFDG among members;
* While their businesses may differ (e.g. in their products, sizes or types), there is a clear understanding that they are all similar in this way, aligned with CoP theory;
* In these ways, the SMFDG meets this indicator of a CoP
* It also aligns with Malmberg and Power’s (2006: 57) criteria that cluster activities: “should be a spatial agglomeration of of similar and related economic activity” and “these activities should be interlinked by relations and interactions of local collaboration and competition”, that also emerged as mechanisms of potential shared value creation in support of the CLSV framework.
 |
| **Knowing what others know, what they can do, and how they can contribute to an enterprise**  | * The SMFDG is very clear to members in this regard – their ethos to support local food and drink and encourage collaboration is their main goal;
* In turn, members are keenly aware that supporting and buying local is what they can do to meet their common goals of making the cluster, the region, their communities and local food and drink businesses thrive.
* The SMFDG meets this indicator of a CoP and;
* Their commitment to these goals supports the CLSV framework, as it illustrates both social and economic value creation.
 |
| **Mutually defining identities** | * Aligned with this indicator, and the mechanism of community identity and pride, the majority of participants not only defined and identify themselves with the cluster, but also the region.
* However, as with CoP theory, they recognise themselves as different from conventional communities (e.g. where they live);
* The SMDFG has a different knowledge and skills set that creates a sense of mutually defined identity from other CoPs (e.g. a family practice of doctors).
 |
| **The ability to assess the appropriateness of actions and products** | * While this indicator could be viewed as more applicable to the organisational level, it could be re-interpreted as the manner which the SMFDG sources members and includes members, as opposed to actions and products;
* Members are appropriately assessed by the SMFDG: they must be local/regional, an SME and interested in or already supporting local food and drink, essentially.

  |
| **Specific tools, representations and other artefacts**  | * As the SMFDG has specific resources and training available to help their members do well, this could be viewed as tools;
* These resources and training sessions were seen among participants who have partaken in them (e.g. help with writing grants or social media and sales training sessions) to be tremendously helpful, especially for newer businesses, creating in turn a positive economic impact on their business, armed with knowledge of “how” to do things more effectively (e.g. helping them promote their businesses to gain new customers);
* Artefacts, seen as a human-made object, could be perceived as the specific products they make;
* The SMFDG meets this indicator of a CoP.
 |
| **Local lore, shared stories, inside jokes, knowing laughter**  | * As a community of like-minded individuals, the SMFDG engages all these and meets this as an indicator of a CoP;
* This was especially evident at the Food and Drink Awards especially, when engaging with many of the members in conversation, in a celebratory setting.
 |
| **Jargon and shortcuts to communication as well as the ease of producing new ones**  | * The SMFDG meets this indicator of a CoP;
* Jargon between members, particularly those in the same area of the industry is very common and would not necessarily be understand by members outside the CoP;
* For example, a “kit” for the breweries means that is what they use to brew their beers. The word has many meanings for different CoPs. A group of construction workers might have a tool kit, seamstresses have a sewing kit. A “kit” for brewers means a beer making kit, which includes a fermenter, bottling bucket, a hydrometer, bottle capper and oxygen wash cleaner. A cheese making kit also contains different things. The word “kit” takes on different meanings, then, but is understood by members of a CoP because they share the same competences or skills. It is a short-cut to those in the same trade when communicating.
* The same is true for the word “stall”, which could be used to describe a livestock housing in a barn, it actually refers to the food “stalls” they set up at markets and festivals to sell their products. To get a stall, one must pay “pitch” costs, that could be applied to baseball.
* In terms of ease of communication to produce new ones, it is likely that as the industry becomes more innovative and new ways of production occur, this is happening more frequently.
 |
| **A shared discourse reflecting a certain perspective on the world** | * The SMFDG has a shared discourse, that reflects their shared perspectives, not necessarily globally, but regionally (i.e. in their world) and meets this indicator as a criterion of a CoP’
* Namely, that they should support local businesses and local food as much as possible, as well as their communities, in support of CLSV is significant to note.
 |

**Table Nine: Wenger’s indicators of a CoP (1998: 125-126) as related to the SMFDG**

Illustrated here is that when considering all thirteen indicators, the SMFDG was f++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++++k\*o9999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999999yÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍÍound to meet each one, strongly supporting the research question of whether clusters can be considered a CoP, or an adaptation thereof. Wenger’s usage of the term community and his indicators of a CoP illustrate that the SMFDG, as a purposefully formed cluster, can be considered an adapted version of a CoP into a CLoP. This adaptation supports the CLSV framework for value creation, as both usage and indicators of his term “community” were originally meant to be for individual organisations only. In this way, CLoPs can be considered an adaptation of a CoP that spill over the boundaries of a single organisation and its individual employees. Rather, they can be applied to an SME cluster as a group of businesses. Essentially, in support of the CLoP framework, individual firms are applied as opposed to individuals in an organisation as illustrated in Tables Eight and Nine.

Practitioners, in Wenger’s view (1998, 2007) are groups of people with a common passion or concern for something they do and through regular interaction and mutual engagement, they learn how to do it better. Their “practice” is developed through these regular interactions and refers to the development of a shared repertoire, or knowledge based upon which members base their own practices on. The SMFDG aligns with this. Peripheral and core members, recalling that core members are considered the most actively engaged with other members of a CoP and peripheral members do so as well but to a lesser degree, benefit the most from the development of the shared repertoire or practice. Marginal members do, but at an even lesser degree depending on how little they engage with other members. At attended meetings, it was evident that businesses were receptive to conversing, exchanging ideas, and giving advice towards the development of this shared repertoire through this mutual engagement to meet their shared enterprise. Many of the attendees regularly attend the SMFDG’s quarterly meetings, strategy meetings and events. All members can be considered practitioners in the sense that they share a common passion for supporting local food, and are part of the SMFDG, regardless of the level of member they are.

To further expand on how the SMFDG may be considered a CLoP, the following section addresses how the SMFDG meets the criteria of a CoP in relation to Wenger’s (1998) proposed three critical dimensions of a CoP, titled as such.

**6.2 Mutual Engagement, Joint Enterprise and Shared Repertoire**

Wenger (1998) identifies three necessary dimensions of a CoP: mutual engagement, a joint enterprise, and a shared repertoire. This section will consider each of these and their applicability to the SMFDG, to further explore whether it can be considered an adaptation of a CoP, as a CLoP, spilling over the boundaries of a single organisation with employees acting as members of a CoP, into a group of small businesses acting in a similar way.

To reiterate, the process of mutual engagement in a CoP is characterised by regular interactions between participants. The SMFDG certainly does this to varying degrees, depending on the what type of member they are (i.e. marginal, core or peripheral), but are certainly on some level, all participants engage with each other in some manner. Contrary to Wenger (1998), who suggests that marginal participation equates to ‘non-participation’ that further prevents these members from engaging in full participation, this is not the case with the SMFDG. Rather, all are welcome to participate and engage with other members at meetings, events, amongst each other actively and to any degree they would prefer. Observation at the various events attended confirmed this. It was evident to the researcher that while there are no set “rules” of membership; there is an informal code of respect, geniality, and support of each other regards to how much they participate with other members.

These interactions, as Wenger (1998) suggests, are indicative of mutual engagement in their shared practice to support local food and drink businesses. Further, at their meetings and various SMFDG related events, members have the chance to engage with one another to build relationships and establish norms. Core members observed have formed a tightly knit node of interpersonal relationships, as is characteristic of CoPs, as a community. Even the marginal members engage on some level with other members. For example, the Pay as You eel Café often takes donations from other members such as the Cow’s Cheese Producer, who had recently delivered eight kilograms of cheese that “wasn’t quite right to him but perfectly good”, and the Salad Dressing Company often takes unused stock to them when it is near the expiry date. In this way the SMFDG, as an SME cluster, by being inclusive to all members, is adapted here as a CLoP, as part of their leadership style they engage in.

 The second dimension addressed is that of a joint enterprise or the shared goals that connect participants in mutual engagement to meet these goals; it is an integral part of their shared practice. Through their process of mutual engagement, the SMFDG has a negotiated a jointly shared enterprise, in their pursuit of supporting local food and drink businesses as a group of like-minded individuals in a collaborative, like-minded setting. Since its conception, this has been negotiated continuously to meet these shared goals. The process of mutual engagement towards a common goal of succeeding and supporting each other can have both positive indirect economic and indirect social impacts, in support of the CLSV framework, and when considering them a CLoP. This is discussed in-depth in Chapter Five’s analysis that considers the four potential mechanisms of shared value creation.

Lastly, the third dimension of a CoP outlined by Wenger (1998) is the development of a shared repertoire – such as tools, stories, routines and concepts that the community has produced or adopted. This shared repertoire is part of the community’s practice in their pursuit of their joint enterprise. The SMFDG is active in their development of a shared repertoire – they host training sessions around various areas (e.g. health and safety, sales, social media) and at the quarterly meetings and various events, members have a chance to share resources, knowledge and problem-solving solutions. Additionally, the SMFDG disseminates knowledge to its members by inviting them to different board meetings (e.g. the Food and Drink Strategy Board) and via email communication. In developing this shared repertoire, members of the SMFDG have access to tools and resources that may allow them to increase their economic success and in turn, their ability to contribute to positive social causes.

In sum, the SMFDG contains, to varying degrees dependent on their level of participation the three dimensions of a CoP, support to considering them as a CLoP regardless of their level of engagement as members. The core values of the SMFDG also support the CLSV framework, particularly in connection with the mechanisms of collaboration and community identity and pride in terms of indirect social-level to economic-level of value creation, more so in community identity and pride than other mechanisms, and vice versa. The level of participation by members is also a factor in the process of situated learning, as discussed in the following section.

**6.3 Situated Learning Theory Processes in Relation to the SMFDG**

To reiterate, situated learning theory is a key component of the wider CoP theory proposed by Lave and Wenger (1991), further developed by Wenger (1998). Essentially, it proposes a new model of learning away from traditional classroom-based learning through “practice”, in a CoP. Situated learning theory is considered to be a social activity at the organisational level, as discussed in-depth in Chapter Two’s literature review and will be considered here in relation to the SMFDG as a CLoP and CLSV. Notably, while the CSV concept is non-specific as to how learning should occur to create shared value, situated learning theory provides a clear plan for how members of a CoP can create shared value.

Comparisons between the “old” (traditional classroom based) and “new” (situated learning) model of learning as seen in Cox (2005), based on Wenger (1998), will be considered here first to determine how and if the SMFDG engages in each.

|  |  |
| --- | --- |
| **The old model (traditional classroom based) of learning versus the new (situated learning) model, in that order.** | **Relationship of Each Type to the SMFDG**  |
| Teaching versus Learning | * Both styles of teaching can be seen in the SMFDG;
* In some ways, teaching (old model) does occur in the sense of the training sessions they host;
* In other ways, as members engage with one another and share knowledge, they are active in the process of learning and building their shared repertoire (new model).

. |
| Classroom versus In-situ (i.e. in its original place) | * Most learning can be considered in-situ among members of the SMFDG, as they interact with one another at meetings and various other events and attend training sessions;
* While these interactions may not always be in the exact same location, it is always under the same context, under the umbrella of the SMFDG.
 |
| By teaching versus. By observation (therefore social) | * Members of the SMFDG, as a cluster, do learn through observation, at meetings, events, demonstrations, as examples, occurring on a social level;
* Many participants noted that for them, the social and observational aspects of these activities was tremendously beneficial, particularly because they could engage with others face-to-face to learn.
 |
| (Individualised) pupil learns from teacher versus Learning from other learners (therefore social) | * Members of the SMFDG engage in knowledge sharing but it is acknowledged that there is some resistance to it among competitors and unwillingness to share trade secrets;
* They are all learning from each as SMEs, particularly newer ones, as they build a shared repertoire, aligned with the new model of learning and CoP theory.
* These knowledge exchanges occur informally primarily (e.g. at meetings, events, markets);
* For example, it was noted by the Chutney and Jam Producer that several businesses started out together, and learned from each other;
* There is potential to create positive indirect economic impacts through this style of learning, in support of the CLSV framework in that aspect.

  |
| Planning in a curriculum versus Informal, driven by task (though elements of the apprenticeship are formal) | * While the SMFDG may plan what they will discuss at meetings or in training sessions, this is not a conventional “teaching curriculum”;
* Learning occurs informally through communication between members and they can contact the SMFDG through informal channels to gain information;
* In this way, learning occurs indirectly (e.g. not orchestrally), mirroring findings from Chapter Five’s analysis that CLSV occurs in a similar way among members;
* This is not task driven per se but fits the new model of learning more suitably.
 |
| Learning as a mechanistic, cerebral process of transmission and absorption of ideas versus Learning is as much about understanding how to behave as what to do and is an identity change | * The latter could be considered the case with the SMFDG, acting as a CLoP;
* For many of the participants their identities, actions and behaviours are very interconnected with their sense of belonging to the SMFDG as a collective, with mutually defining identities, in line with the tenets of CoP theory.
 |

**Table Ten: Comparisons between the “old” (traditional classroom based) and “new” (situated learning) model of learning (adapted from Cox, 2005) as Applied to the SMFDG**

By using Cox’s (2005) comparisons of the “old” and “new” model of learning, it is evident that learning is a social, fluid, ongoing, dynamic process at the SMFDG, not a formalised classroom setting, aligned with situated learning processes and the proposed CLSV framework. This fluidity of methods of learning is aligned with CoP theory. Through these processes, social and economic impacts can occur indirectly (e.g. through knowledge sharing).

For Wenger (1998) when understanding situated learning as social processes, participation is critical. However, participation in situated learning is not just about developing a shared repertoire of skills and knowledge through practice (‘learning as doing’). It also involves the processes of understanding our own identity and who we are (‘learning as becoming’) in the CoP and in which CoPs that we belong to and are accepted by (‘learning as belonging’), through the negotiation of shared meanings (‘learning as experience’), as a collective and as individuals, as discussed more extensively in Chapter Two’s literature review and outlined in Figure Three. These four methods of participation are discussed below in relation to the CLSV framework and related mechanisms of value creation.

Through participation, ‘learning as doing’ occurs through regular mutual engagement. That, in turn, also ensures that this mutual engagement is sustained to meet shared goals and develop a shared repertoire between members (Wenger, 1998). As aforementioned, core members participate more actively in the group as a collective (e.g. at meetings and events). However, at an individual level, members who interact outside of scheduled activities through their collaborative efforts and impart knowledge to newer businesses (e.g. from established brewers to newer ones) can also be perceived as engaging in practice. Even if on the periphery or margins of a CoP as members, they are still engaging in ‘doing’. This is aligned with the mechanism of collaboration as a potential way to created shared value in an SME cluster, in support of the CLSV framework.

In terms of community or ‘learning as belonging’ this process is active in the SMFDG, depending on their level of participation. Within the SMFDG, members are cognisant of the fact that they are accepted and belong to the group. Even marginal members who participate minimally on the periphery of the SMFDG support and recognise its value. All participants are proud to be a part of the local food and drink cluster, as seen within the potential value creation mechanism of community identity and pride.

Identity formation within a CoP plays a critical role in Wenger’s (1998) situated learning theory (‘learning as becoming’). Through participation, members not only develop their shared competence and practices of the community to reflect this element, but they also develop mutually defining identities that provide them with a sense of commitment to the CoP (‘learning as belonging’). (Lave and Wenger, 1991; Wenger, 1998). This is evident particularly, among core and peripheral members of the SMFDG. The SMFDG is part of how they identify themselves and as part of a larger collective. This is evident by their desire to promote the group through directories and labelling but was perhaps most evident when the researcher attended the Food and Drink Awards and witnessing firsthand that they have a sense of belonging as members of the SMFDG. It is pertinent to note here that in the conventional treatment of CoPs, the collective is a group of single individuals engaging with one another. Adapted to the CLoP framework, single individuals are the firms themselves, as opposed to in CoP theory wherein individuals are singular persons. The collective is the group of firms that make up the membership of the SMFDG – the collective is cluster itself.

For Wenger (1998) meaning (‘learning as experience’) is created though experience; it is created by ‘learning by doing’ essentially, at both the collective and individual level. It is negotiated through the production of “abstractions, tools, symbols, stories, terms and concepts” (Wenger, 1998: 29). This also mirrors the development of a shared repertoire within a CoP. In the case of SMFDG, participation (‘doing’) at the collective level has created this shared repertoire. At the individual level, most of its members are relatively new businesses and are continually learning through experience and negotiating their own meanings, aligned with the notion that identities are created both individually and collectively among members.

When comparing the “old” (traditional classroom based) and “new” (situated) models of learning, as well as the processes Wenger associates with it through participation here considered above, as well as the usage of the term community in Wegner’s view and of the indicators of a CoP discussed in the previous two sections of the chapter, the adaptation of CoPs into CLoPs makes a fitting theoretical adaptation to support the CLSV framework. While CoPs are aptly suited to individuals within one organisation, for a cluster, they spill over these boundaries and can be applied to firms in clusters to create a CLoP. These findings will be summarised in the following concluding section of this chapter.

**6.4 Conclusion**

 It is evident from the analysis that in many ways, the SMFDG operates as an SME cluster that can be considered an adaptation of a CoP into a CLoP. While it meets the majority of the characteristics and criterion, it is not always in the conventional way Wenger (1998) proposes, as at the organisational level. Rather, the newly introduced CLoP theory proposes to take the elements of CoP theory that draw on this organisational level and applies them to the cluster level.

When considering Cox’s (2005) nine comparisons of the term “community” according to its expected usage and Wenger’s usage, it can be seen that while the SMFDG meets four of his nine comparisons explicitly, two of them are a combination of both expected and Wenger’s usages of the term community (i.e. tightly knit network versus tightly knit and friendly, supportive versus. conflictual as well as harmonious) and one partially (i.e. static versus ephemeral). Only one tenet does not meet the criteria and can be considered as the expected use (i.e. self-conscious/externally recognised versus not recognised, not clearly bounded).

While Wenger’s usage of the term community supports the CLSV framework at the CLoP and cluster level, it was found that these usages run contradictory to the CSV concept. For example, Wenger’s usage states that CoPs exist on a likely smaller, uncertain scale, whereas the CSV concept includes larger corporations when creating shared value in clusters. Perhaps most notably is Wenger’s treatment of CoPs as conflictual as well as harmonious, which contradicts Porter and Kramer’s notion that the CSV concept, when applied to clusters, automatically precludes positive economic and social impacts. Adapted to support the CLoP framework further is the tenet of “neighbourhood based (geographically situated) versus co-located in the workplace”, to be applicable to businesses in a cluster, not just individuals within an organisation.

Further, all thirteen indicators of a CoP as illustrated in Wenger are met by the SMFDG and were adapted as such to become applicable at the cluster level to support CLoP theory. In terms of the three dimensions that Wenger (1998) defines as critical to a CoP – mutual engagement, a jointly negotiated enterprise and a shared repertoire – all dimensions are clearly mirrored by the SMFDG. However, the degree to which their shared goals, level of engagement and this repertoire is shared among and benefits members varies depending on their level of participation (e.g. peripheral versus core members). The dimensions support the argument that the SMFDG can be considered a CLoP. However, it runs contrary to Wenger’s notion that marginal members can equate to being prevented in participating or engage in ‘non-participation’. All members are welcome, included and considered practitioners in CLoPs.

Notably, the SMFDG’s participative leadership style is non-hierarchical and operates in a decentralised manner as CoP theory suggests. The staff are involved on a personal level to foster development according to members’ needs, not their own. In turn, this fosters a relationship of trust between themselves. This is contrary to the leadership style CSV implies, wherein larger corporations use a top-down, strategic, organisational approach to identify the corporations’ potential to maximise economic benefits through strategically chosen social initiatives; these initiatives are chosen to benefit the firm economically, rather than the cluster actors socially.

It can also be seen that when considering the tenets of situated learning theory, the SMFDG is engaged actively in this. When considering Cox’s (2005) comparison of the “old” (i.e. traditional ways of learning) and new (i.e. situated learning), some adaptation is necessary to make it applicable to the cluster level and not the organisational level as he frames it. When considering Wenger’s (1998) model of situation learning that considers related to community, identity, practice and meaning, the SMFDG fits the characteristics overall. Learning for the SMFDG is a fluid, dynamic process that involves participation through action, in line with his notion that all four aspects involve ‘doing’. The knowledge sharing and active flow of information that occurs between members can lead to positive social and economic impacts, supporting the CLSV framework.

 In summary, while not all comparisons of the term community, indicators and learning models illustrate that the SMFDG can be considered a cluster or practice, treating firms as the individuals and the collective as the cluster, not a community of practice, wherein people are considered as individuals, which as discussed as a collective that spills over the boundary of organisations. By treating the cluster as a CLoP, adapted from CoP theory, the CLSV framework illustrates a clear way to create shared value, contrary to the CSV concepts’ ambiguity and malleability and support the research question that clusters can be considered an adaptation of CoP framework, to become a CLoP

 As the findings and analysis have already considered in Chapter Five and Six, it is pertinent now to address how the data was interpreted in light of the CLSV framework and CoP theory in context before introducing the discussion chapter, culminating into the CLoP framework. When considering the first research question of how and if SMEs may create shared value in Chapter Five, data was interpreted through the lens of the CLSV framework with a view to understand how indirect social and economic value is created. Emerging from the data , the four potential mechanisms of value creation (i.e. collaboration, attitudes towards competition, industrial upgrading and/or business expansion, and community identity and pride) focused on interview and participant observation primarily, with a consideration of the barriers SMEs face due to their specificities that they may face in creating shared value (e.g. time, cost and labour constraints). Essentially, through applying the CLSV framework as a guide and the four mechanisms to support the framework, the researcher was better able to understand, explain and contextualise how indirect social and indirect value is created in the SMFDG cluster.

 When considering the second question of whether a cluster can be considered a COP, or an adaptation thereof, ­data was interpreted in light of CoP theory. Using CoP theory as a lens, this provided a clear way of conceptualising, understanding and explaining the data. By analysing the SMFDG using the usage of the term community in Wenger’s view, his indicators of a CoP and ways of situated learning, as well as levels of participation among members, the researcher was able to ascertain whether or not the SMFDG can be considered a CoP. Ultimately, CoP theory was seen to support this, but not at the organisational level, but at the cluster level. By applying CoP theory to explain the data, with specific reference to the SMFDG as a whole as opposed to individual SMEs, the notion of CLoP emerged as its context. Guided by CoP theory, CLoP theory treats SMEs as playing individual roles in a cluster, as opposed to the traditional CoP theory, wherein individual employees play these roles within an organisation.

 The following discussion chapter will now consider differences between CLSV and CSV, propose a revised CLSV framework, and consider the barriers and negative aspects that could affect CLSV.

**Chapter Seven: Discussion**

**7.0 Introduction**

This chapter is separated into three broad sections, guided by development of the key points emerging from the previous analysis chapters. The first will consider the differences between cluster shared value (CLSV) and creating shared value (CSV), highlighting the theoretical, methodological, empirical and conceptual contributions of this study. Specific attention is paid here to how CLSV has emerged to make CSV a more thoroughly grounded concept with theoretical groundings in relation to clustering. Following this, the revised CLSV framework, using the lens of the newly created cluster of practice (CLoP) theory, is introduced to illustrate how creating shared economic and social value creation can occur in an SME cluster. The four mechanisms of potential value creation identified in the first analysis chapter are explained as avenues for value creation. Lastly, a consideration of the barriers and negative aspects that could lead to the detriment of a CLoP found in the first analysis chapter will also be discussed, followed by a concluding section to this chapter.

**7.1 Cluster Shared Value versus Creating Shared Value: A Comparison**

The following section compares CLSV to CSV, comparing the two, highlighting also the aforementioned theoretical, methodological, empirical, and conceptual contributions this study makes. These differences are separated into sub-sections, in this order: 1) The Treatment of Negative and Positive Elements for SMEs: CLSV versus CSV, 2) The Treatment of Larger Corporations: CLSV versus CSV (wherein several elements are subsumed), 3) Knowledge Sharing: CLSV versus CSV, 4) Empirical and methodological contributions: CLSV versus CSV, 5) Conceptual Contributions to the Cluster Concept, 6) Theoretical Contributions: CLSV versus CSV, 7) Perspectives on Leadership Styles: CLSV versus CSV, and lastly, 8) Indirect versus Direct or Purposeful Value Creation: CLSV versus CSV.

**7.1.2 The Treatment of Negative and Positive Elements for SMEs: Cluster Shared Value (CLSV) versus Creating Shared Value (CSV)**

This section will discuss how negative and positive elements faced by SMEs is conceptualised in CLSV and CSV. Operating as a CLoP to create CLSV, cluster actors – mirroring Wenger’s (1998) treatment of CoPs as conflictual as well as harmonious – are recognised to be engaged in conflict, primarily through competition. This was seen between primarily between the breweries and cakemakers/bakers interviewed. CSV assumes that when the CSV concept is applied to clusters, positive economic and social impacts will occur, representing an important distinction from CLSV.

 Further, the CSV concept fails to recognise the pitfalls and barriers small business face in their operations and implies that when MNCs engage in CSV with them, they will disappear. Through the four potential mechanisms of value creation, this study was able to identify barriers and problems that small businesses face, even though economic and social value creation exist positively to support CLSV, representing a distinction from CSV. This will be discussed in-depth in the third section of this chapter.

**7.1.3 The Treatment of Larger Corporations: CLSV versus CSV**

There are several distinctions between the way CLSV and CSV treat the role of larger corporations in shared value creation, outlined here. The first is that the CSV concept espouses that larger corporations strategically and purposefully choose the social initiatives that will lead to the greatest economic benefit for the firm. By putting an economic lens to social problems, the actual creation of social value is difficult to ascertain; the social initiatives focused on might not be the ones communities actually *need.* In contrast, SMEs must often focus on survival and overcoming barriers they face as small businesses (e.g. financial ones, labour constraints or lack of economies of scale) as opposed to strategically planning how to create shared value. This study reveals a contrasting perspective to CSV. All the participants interviewed viewed social responsibility as a key part of their ethos and are dedicated to practicing it in the communities they operate in, tied strongly to the mechanism of community identity and pride. Unlike traditional CSV though, SMEs are better able to identify the social needs of the communities in which they operate, as they are there, first-hand. For example, the SMFDG operates in an impoverished region; SMEs such as the bakery and café that employs women offenders and the food provided by the pay as you feel café reflect that these eateries were able to address specific social issues the community needs. This may lead to indirect shared value creation economically. Thus, CLSV can be viewed as more effective in harnessing and creating social value then CSV, representing an important contribution to the understanding of shared value creation in SME clusters.

 Further, value creation in the CSV concept is related to creating value in the SME clusters that are in existing within their supply chains. However, not all SME clusters are necessarily dependent on larger corporations or serve as supplier clusters to them. Rather, and in contrast to CSV’s notion that larger corporations should incorporate this into their strategic plans, the opposite was found to be occurring in this study; participants reported difficulties engaging with and resistance from larger retailers to stock their products. The opposite of this element of CSV (i.e. reliance on larger corporations to create value) can be seen in CLSV, representing an important distinction between the two. SMEs in the SMFDG create value between and among themselves.

Thus, the SMFDG is not a supplier cluster reliant on larger corporations or MNCs for profits; they collaborate with each other, operating as a CLoP onto themselves. Another clear distinction to be made here is that CLSV is more specific to clusters with complementary businesses in the same industry, as with the SMFDG and its varying types of niche businesses and markets, contrary to CSV’s stipulations that many of the SMEs within the larger corporations’ supplier clusters are practicing similar activities (e.g. agricultural activities). CSV overlooks that many SME clusters operate without the support of larger corporations; the concept is focused on how CSV can serve the purposes of those large firms. This represents an important contribution to the understanding of SME clusters with varied, but related businesses to support the CLSV framework, and a clear distinction from CSV. Another notable, important distinction is that CSV implies that multi-national corporations can “build” clusters to create shared value for their benefit. The SMFDG represents an example of the opposite – they are a grassroots organisation that aims to create CLSV based on their members’ collaborations.

**7.1.4 Knowledge Sharing: CLSV versus CSV**

It is pertinent now to address the differences in CLSV and CSV with regards to knowledge sharing in clusters. CSV espouses that clustering facilitates knowledge sharing or knowledge spill-overs, aligned with Porter’s (1990) own views on clusters. However, it was found that secrecy and an unwillingness to share knowledge was found within the SMFDG. While this runs contrary to one of CoP’s core tenets that members mutually engage with one another to create a shared repertoire, it could be seen as common amongst smaller businesses.

These findings run contrary to the notion that clustering facilitates knowledge sharing, specifically at a purposeful level, as a contrast to CSV. Secrecy and unwillingness to share knowledge does not support CoP theory’s tenant that members of a community develop a repertoire of shared knowledge to provide solutions to problems in their pursuit of a common enterprise (Wenger, 1998). Thus, this can also be viewed as a barrier to CLSV.

**7.1.5 Empirical and Methodological Contributions: CLSV versus CSV**

 As discussed in Chapter Two’s literature review, several scholars have questioned not just the theoretical groundings of CSV, but also the empirical evidence in which it is seemingly grounded by Porter and Kramer to support the CSV concept (Aakhus and Bzdak, 2012, Beschorner and Hajduk, 2017, Crane et al., 2014, Dembak, Singh and Bhakoo, 2016, Szmigin and Rutherford, 2013). This section considers the methodological and empirical contributions this study makes to SME clusters and CLSV, in contrast to CSV.

While the methodological approaches used (e.g. the single case study approach, semi-structured interviews and participant observation) may not represent original contributions necessarily, the theoretical lens that was applied when interviewing participants and analysing the data can be considered a methodological contribution to research. As aforementioned, unlike theories of social networking and analysis that may map the *quantity* of relationships, CLoP and CoP theories measure the *quality* of relationships. The researcher may have chosen other theories (e.g. related to social network mapping and analyses) to determine the significance of these relationships, but at a quantitative level. Applying CoP and in turn, CLoP theory to the data represents a distinct methodological approach and contribution to analyse how clusters may create shared economic and social value, based on this empirical data.

Regarding the empirical contributions of this study, it is considered that in order to illustrate CSV “in action”, Porter and Kramer (2011) cherry pick success stories based on their consulting work with MNCs (Crane et al., 2014) such as Nestlé, and use clusters of larger corporations with smaller SME supplier clusters affiliated with them. They do not physically visit farmers’ cocoa bean fields to determine if social value creation is *actually* occurring as result of Nestlé’s initiatives They deal directly with the companies to measure the success of their cases, as opposed to conducting on-site business visits for example.

In contrast, the researcher directly engaged with SMEs to under how CLSV was created in the cluster, filling in an empirical gap and contribution to knowledge related to clusters and shared value creation through empirics to either prove or disprove that clustering can create shared value. Using this empirical data, the first analysis chapter showed support for the CLSV framework, but also that in some cases, the barriers and obstacles faced by SMEs can hinder shared value creation, as explored further in the third section of this chapter. While not originally anticipated, this study also made original contributions to the understanding of the cluster concept. Specifically, it contributes to how clusters can be defined to create CLSV. The following section will consider the conceptual contributions to the cluster concept that emerged from this study.

**7.1.6 Conceptual Contributions to the Cluster Concept**

This section is not related to CSV and CLSV; rather, it applies to the cluster concept and how this study contributes to how clusters are defined at the policy and business level. As illustrated in the literature review, the cluster concept has been ambiguous and malleably defined since Porter (1990) introduced it as a management concept (Martin and Sunley, 2001, Malmberg and Power, 2006), with no clear cut definition of them, particularly with regards as to what is considered geographic proximal boundaries that define a cluster. This can have policy implications when creating and applying cluster initiatives. Malmberg and Power’s (2006) definition provides a clear way for policy makers and cluster actors to conceptualise how a cluster initiative should be applied provides conceptual clarity to the cluster concept.

 Clusters are commonly associated with regional economic development, hence the reason why the researcher has chosen to enhance the definition of a cluster as being geographically located in the same region, as quantified by the SMFDG Communications Director in the first analysis chapter. This has policy implications for local enterprise councils (LEPs), and represents a conceptual contribution as well, as this quantification allows for a more succinct view of the geographical boundaries between clusters. During the process of seeking to gain access to clusters, the researcher found that any proposals for, or identification of, clusters by LEPs were strictly defined by their respective regional boundaries.

Building on Malmberg and Power’s (2006) definition that a cluster should be self-aware and purposefully formed and determined to develop together as a cluster is aligned with the SMFDG’s members’ views. Members of the SMFDG are determined to support each other and grow together as they develop a shared repertoire and work towards shared goals. Again, this has potential policy implications for LEPs working with grassroots organisations such as the SMFDG, or in identifying areas that have already existing clusters whose members are not aware they could be considered a cluster. Similar organisations to the SMFDG could be established to encourage CLSV. It also supports the original theoretical contribution of CLoP theory, considered in the following section.

**7.1.7 Theoretical Contributions: CLSV versus CSV**

 As previously aforementioned and discussed, several studies have addressed CSV’s lack of theoretical foundations; it is a concept, not a theory (Aakhus and Bzdak, 2012, Beschorner and Hajduk, 2017, Crane et al., 2014, Dembak, Singh and Bhakoo, 2016, Szmigin and Rutherford, 2013).. As with the cluster concept, the CSV concept can be viewed as vague and malleable. Here, two significant theoretical contributions are addressed. The first theoretical contribution is how CoP theory has become applicable to clusters into CLoP theory, as an original contribution to knowledge, and adapts CoPs into clusters of practice (CLoPs). The second theoretical contribution, tied to CLoP theory, is how the newly introduced framework of CLSV makes the CSV concept a clearer and more thoroughly grounded concept that is applicable directly to SME clusters. How the CLSV framework can be generalised for other industries will also be discussed.

Addressing the first theoretical contribution, wherein CoPs have been adapted for the cluster level into CLoPs, is based on how the theory has been adjusted to spill over the boundaries of a single organisation as a CoP (i.e. wherein the individuals who work in them are part of a community of practice), to be applicable to clusters. Individual employees are replaced with firms, and the cluster is their community of practice, becoming a cluster of practice (CLoP). The usage of the term community according to Wenger, situated learning tenets of CoP theory, indicators of a CoP and levels of participation and engagement were adapted from CoP theory to become CLoP theory. Essentially, CLoP’s predecessor, CoPs, considers communities of practice at the *organisational* level. CLoP theory, however, adapts the tenets of CoP theory for the *cluster* level, as clusters of practice, representing an original contribution to knowledge and theory.

CLSV, as an original concept, incorporates the newly introduced CLoP theory, adapted from CoP theory, as a further theoretical contribution to knowledge. The CSV concept lacks theoretical underpinnings to back up its claims of shared value creation, as aforementioned, and focuses on how larger corporations can meet their economic goals more effectively through chosen social initiatives in their supplier clusters. The CSV concept also assumes that in doing so, shared economic value creation and social creation will occur directly, without recognising the pitfalls small businesses face (Woolridge, 2011). Further, it is non-specific as to how SME suppliers can explicitly learn how to meet the social initiatives put forth by these larger, often multi-national, corporations. The CSV concept does not consider SME clusters that are *not* supplier clusters of businesses operating in the same sect of an industry (e.g. agricultural activities, such as dairy farming or cocoa bean producers). The SMFDG operates as an SME cluster of similar, but different businesses (e.g. they are all part of the food and drink sector, but do not produce the same product), that do not rely on larger corporations to create social initiatives that will serve economic gains for larger firms. The CLSV framework is makes up for what CSV lacks: a theoretical underpinning (i.e. CLoP theory) and a clearer, more concrete way of understanding how and if an SME cluster is engaged in creating shared indirect economic and/or indirect social value, with a consideration that the barriers SMEs face may prevent them in doing so.

It is pertinent here to discuss how the CLSV framework, by using CLoP theory as a lens, can be applied to other SME clusters specifically - not as supplier clusters under the umbrella of larger corporations (e.g. automotive or aviation clusters) that more competitive than collaborative in nature overall and are not reliant on supplying larger firms as supplier clusters, as CSV suggests. Specifically, how CLSV can be applicable at a more general level to other SME clusters is considered here. While the SMFDG is centred around the food and drink industry, there are many other types of SME clusters that could potentially be analysed using the CLSV framework to understand how and if the SME cluster creates indirect shared economic and social value. As with the SMFDG, many SME businesses within clusters are embedded in the communities in which they live and operate and are committed being socially responsible as a result. The researcher has witnessed this first-hand in her hometown and in the interested participants she had from other types of clusters in the UK (e.g. cultural arts, antique and ceramic clusters). The have a vested economic interest in the region and its growth, as well.

As examples, in Birmingham, England there is strong, growing “creative quarter” cluster of varying types of artists (e.g. musicians, painters and sculptors) that are strongly focused on fostering both shared economic and social value creation among its members, referred to as the “Digbeth Collective”. The “TechHub” cluster in London’s Shoreditch district, is considered an ideal place for start-ups and entrepreneurs to locate there. They encourage collaborations, knowledge-sharing and are committed to revitalising the area economically and are committed to community revitalisation. Both represent ethos similar to that of the SMFDG, of supporting each other and their communities in a collaborative, like-minded, clustered environment.

However, while these examples of clusters may have started out growing organically and non-purposefully, they now operate as a collective and group of inclusive members in their cluster. They have formed their own cluster-based organisations to facilitate shared economic and social value creation, as is the case with the SMFDG. On a grass-roots level, the formation of these cluster-based organisations has occurred through members’ own initiatives. Other clusters may look to them as examples and initiate their own. Thus, it is important to consider, then, how using the CLSV framework can lead to the development of such organisations in already existing SME clusters, or part of cluster creation initiatives, that will foster and enhance the shared economic and social value creation. This could happen at the policy level or grass-roots level. The following section considers how at the policy level, cluster-based organisations could be formed to create CLSV.

**7.1.8 Policy and Business Implications for Small to Medium Sized Enterprise Clusters**

 This section will consider potential policy implications for the CLSV framework and how Malmberg and Power’s (2006) can effectively be applied to create regional economic development and regional social value through policy making.

 Malmberg and Power’s (2006: 57) definition of cluster states that, “…there should be some form of self-awareness among cluster participants some joint policy action (‘we are a cluster and we are determined to develop together’)”. While the SMFDG is a grassroots cluster-based organisation, policy makers could study them as examples, as well other cluster-based organisations when creating cluster initiatives. They could ensure that funding for such organisations were in place and recruit SMEs to join such organisations, with the goal of supporting local businesses and facilitating collaborations as their ethos, to encourage CLSV. Potentially, they could enlist larger corporations to fund a Food and Drink Awards ceremony, as the SMFDG does. Policy makers could identify existing clusters in the area and implement cluster-based organisations to facilitate CLSV as well, all leading to the creation ultimately of shared social and economic value.

In the UK context, the CLSV framework also shares some synergies with the UK Government’s Public Service (Social Value) Act. The Act came in force on January 31, 2013, according to the official government website (see [www.gov.uk](http://www.gov.uk) website for more details) . Essentially, it requires that individuals or firms who commission public services consider how they can also secure broader economic, environmental, and social benefits. Securing such benefits can be related to the creation of shared economic and social value, as their goals are the essentially the same. The Act also encourages commissioners to consider the services they are going to commission and the way they are going to purchase them, to potentially ensure these benefits for their stakeholders or their region. Potentially, commissioners could consider how the four mechanisms of value creation in the CLSV framework may be implemented by the companies that will provide these public services. Lastly, the Act serves as a tool to aid commissioners in getting more value for money out of the services they procure. As with the SMFDG, it offers training in these areas and spaces in this area, such as case studies, tool kits, and masterclasses. Further, commissioners are encouraged to talk to their community or local providers to help design better services according to their needs. Notably, the government website points out that by doing so, they will often find new and innovative solutions to difficult problems. This mirrors CLoP theory; through interactions with the community and providers, commissioners are building a shared repertoire with them, identifying ways to solve problems. Thus, overall, these synergies between the Social Value Act and CLSV framework, if implemented in cluster initiatives by policy makers, could create greater shared social and economic value creation for regions.

This study has also provided business implications and benefits that SMEs and SMEs in a cluster that could potentially be useful for creating shared economic and social value creation, alongside policy implications of the CLSV framework. As in the case of the SMFDG, SME clusters could form their own grassroots organisations to facilitate CLSV towards the formation of a CLoP. Alternately, SMEs independent of an SME cluster could encourage their local councils or local enterprise councils to further develop impoverished areas, or even those with empty buildings that could be zoned as commercial businesses, based on this case study’s success. The researcher personally found this happening in their hometown, to create CLSV.

However, it would be important for an organisation like that of the SMFDG to have a leadership style that mirrors theirs, to allow its members to feel as though they are part of a CLoP, as opposed to a hierarchical organisation. This style of leadership is considered in the following section.

**7.1.9 Perspectives on Leadership Styles: CLSV versus CSV,**

This section considers the differing leadership styles between CLSV and CSV, representing an important distinction between the two and an original contribution to the conceptualisation of SME clusters and their leadership structure.

 The CSV concept, by focusing on larger corporations to determine the strategic social initiatives for the SME supplier clusters, has a leadership focus on the company itself. The supplier SMEs engaging with these initiatives, while they may have some input in what social initiatives to be addressed in the early stages, are not ultimately the ones who determine which initiatives will be considered. Rather, the larger corporation will have the final say in the social initiatives to focus on, depending on which provides the most economic benefits for them. They are managed in a top-down, strategic manner. The CLSV framework, in line with the decentralised management style that CoP theory and in turn, CLoP theory, espouses a more equalised, participative leadership style. As with the SMFDG, social initiatives in the CLSV framework are identified based on the region or county’s specific needs. Members of the SMFDG and their employees are in regular contact to address concerns; all and any input is welcomed and there is an open dialogue. As witnessed during events attended, the researcher saw first-hand how this fosters trust and respect in the SMFDG between its members and its staff. As discussed, CSV identifies social initiatives based on the potential for economic profit and increased competitiveness. These might not address the social initiatives that would benefit the communities in which they operate in the most or need. For example, an MNC devoted to producing apps for farmers’ that allow for higher quality agricultural yields, while good for their profit margins, may overlook a more widespread social problem such as access to healthcare. Operating as a CLoP, members within it, through mutual engagement, can incorporate into their shared repertoire concrete ways of identifying and provide solutions to social problems, contrary to CSV.

**7.1.10** **Indirect versus Direct or Purposeful Value Creation: CLSV versus CSV**

A significant contribution to shared value creation emerged in relation *how* value is created in CLSV versus CSV. As previously discussed, the CSV concept is created through intentional strategies of larger corporations to provide maximal economic value through specifically chosen social initiatives. In this sense, it could be considered that shared value creation occurs first at the economic level. This is the first priority in a company’s CSV strategies, to maximise economic goals; at the social level, initiatives are chosen specifically to meet these economic priorities (i.e. economic value creation will facilitate social value creation). Shared value creation, in this view, is implemented in a direct, purposeful manner by larger firms.

On the contrary, when considering SME clusters that operate without dependence on larger corporations’ supply chains, CLSV occurs in an indirect manner among CLoP members. The SMFDG acts as an intermediary to create shared value, aiming to create shared economic and social value on a direct level – their goal is to facilitate collaborations and grow the cluster, leading to CLSV. However, CLSV also happens indirectly between members through these collaborations and support for the local food industry overall. While the SMFDG’s ethos and members’ values do reflect the importance of supporting local produce, one other and their communities, they do not have a set “strategy” for this. It happens organically over time, as they engage mutually with one another as a CLoP to meet their shared goals and develop their shared repertoire.

As discussed, CSV’s primary focus is on directly creating economic value creation for larger corporations through social initiatives that simultaneously create social value creation. The findings of this study suggest the opposite; CLSV can indirectly occur both from the economic to social level, and the social to the economic level. The CLSV framework also supports the notion that sometimes a singular beneficial impact can be created, either strictly at the social or economic levels, which this is contrary to the initially proposed CLSV framework and indicates a future research direction.

Building on this final subsection to understand the dynamics and way in which CLSV occurs, from the social to economic level, the economic to social level, or as one or the other singularly, the following section introduces the adapted CLSV framework and further explains how shared value can be created in an SME cluster. Specifically, it considers the role of the four potential identified mechanisms of value creation discussed in the Chapter Five’s analysis.

**7.2 The Revised Cluster Shared Value Framework**

This section first considers each of the four mechanisms of value creation identified in the first analysis chapter – community identity and pride, collaborations, attitudes towards competition, and industrial upgrading and/or business expansion – and relates them to how each can create social and economic value for a CLoP, leading to CLSV. Specifically, how each can create economic level value from social level value, social level value from economic value, both levels simultaneously or on a singular level, just social or economic value creation, is considered. While the latter is singular, it is still considered to be a form of value creation. However, it is not part of the revised framework, as this is study is about shared economic and social value .l52creation in an SME cluster. Following the explanations of how each mechanism can create shared value; the adapted CLSV framework will be introduced based on these.

**7.2.1 Community Identity and Pride**

As discussed in the first analysis chapter, the mechanism of community identity and pride was identified as a key driver of social value creation leading to indirect economic value creation, along with its sub-mechanism identified as strong support of using local produce. Nearly all participants were proud of the SMFDG, being a member of it, and being part of the local food movement in the region, as discussed in detail in Chapter Five’s analysis. Their support for one another in buying each other’s products and supporting each other’s businesses by stocking or selling their products are instrumental in CLSV. They are driven by their desire to support the region and their communities – a social cause they champion – that indirectly leads to economic value creation through purchasing each other’s products. Acting as a CLoP, members actively engage with one another and participate in events; they are united through their pride in the region and of the local food movement. This mutual engagement can lead to fruitful relationships and interactions, toward the development of a shared repertoire to meet their common goals as witnessed during the participant observation process at events.

Participants also engage in acts that create social value creation primarily (e.g. donating products to local charities, creating community gardens, employing women criminal ex-offender or supporting local sports teams) that can potentially create indirect economic value for them. The mechanism of community identity and pride represents the strongest of the four that reflects the potential to indirectly create economic value creation due to direct social value creation. For example, if the winner of the rally prize at a charity event enjoys the product or after an open day at a farm to educate consumers on ethical sourcing of products, they may purchase from them and tell other consumers about it.

Thus, the mechanism of community identity and pride can be considered a social level of value creation that indirectly leads to economic value creation. Community identity and pride is, as aforementioned, the driving force of social value creation in a more direct sense for the region, as will be considered in the revised CLSV framework. The strong desire to be socially responsible in the communities in which they live and operate that is reflected in the ethos of the SMFDG and among its members, and in turn, creates indirect economic value creation.

**7.2.3 Collaboration**

Collaboration between SMEs in the cluster were identified as another key mechanism of value creation, along with the sub-mechanism of knowledge sharing. As discussed in the Chapter Five’s analysis, there are between 500 and 700 business collaborations between the SMEs related in some way to the SMFDG, as ascertained from the number of members in the directory (approximately 180 during the study) and judging from the fact that most participants engaged in at least three collaborations with other businesses. There were many different types of collaborations identified (e.g. producer to stockist or producer to eating venue collaborations) from the primary interview data, as well as firm websites secondarily. Many of these collaborations snowballed directly as a result of membership in the SMFDG. Not only at events, but also through the directory of potential members to approach. Collaborators’ mutual engagement with each other as a CLoP can strengthen businesses in the cluster overall with their combined efforts. For example, when the Chutney and Jam Producer have a stall at farmers’ markets, he sells the beer from the pub and brewery, who in turn sell and use his products, leading to economic value creation. They met and connected this way at an SMFDG meeting.

As the interviews reflected, members also engage in helping other businesses to solve problems and share knowledge (e.g. how to make beer or about the labelling process of products), supporting each other and their desire to make the region known, leading to the development of a shared repertoire through their individual practices as proposed by CLoP theory.

In further terms of value creation, collaborations can create indirect social value from direct economic value creation or the opposite, indirect economic social value creation from direct social value creation. For example, the Café and Bakery interviewed employs women offenders. This is a direct example of social value creation; however, they are also a business that makes profits and stocks local products, which leads to indirect economic value creation. The Pay as You Feel Café, alternately, provides food for the residents to pay as they can/what they are able to; this has a direct social value creation but also an indirect economic impact. An example of indirect social value occurs among the SMFDG when businesses can hire new employees or apprentices, engage in renovations to revitalise their communities, as a direct result of economic value creation generated from collaborations. When the pub and brewery owners merged, they created the pub together, for example; the volume of beer they can produce in their new establishment increased, new jobs were created, and the area was revitalised overall. It is fully renovated and attracting a new customer base.

**7.2.4 Attitudes toward Competition**

As previously discussed in the Chapter Five’s analysis, three views emerged overall with regards to how participants viewed competition: 1) Feeling threatened by direct competition and new entrants, 2) Engaging in co-opetition and positive attitudes towards new entrants and 3) Neutral attitudes towards competition and new entrants. Here, the latter two attitudes will be considered in relation to CLSV, with the first being considered in the third section of this discussion chapter as a barrier to or having a negative effect on CLSV.

 To reiterate, co-opetition is considered as the process where co-operation between competitors can benefit both or more parties (Brandenburger and Nalebuff, 1996). Co-opetition can be viewed as having a direct economic effect on businesses (e.g. through brewery swaps or in the case of the Café and Bakery understanding the dynamics between the neighbouring café as they have different clientele, or the Bespoke Cake Company referring customers to others when she is too busy). This has a direct effect on economic value creation that can indirectly lead to social value creation, as it will allow the businesses to invest in further social impacts, as is valued by all participants. Further, co-opetition ensures businesses’ survival in the long term, and mirrors collaborations. In terms of social value creation, it further creates a CLoP. Members of the SMFDG and Malmberg and Power’s (2006) definition of a cluster used for this study are aligned here; they are determined to develop together as a cluster and community, mutually engaging and building a shared repertoire. Co-opetition strengthens businesses and thus, leads to CLSV through direct economic value creation leading to indirect social value creation.

 When addressing participants that had neutral attitudes between potential competitors and new entrants in similar sectors, this also creates a potential economic to social impact it was found. This study runs contrary to Porter and Kramer’s (2011) notion that clusters who operate as supplier clusters, in the same industry but are engaged in similar activities, are dependent on larger corporations to create shared value (e.g. dairy farming). Building on the CLSV framework, this study shows that SME businesses in clusters that operate in the same industry, in this case the food and drink sector, are complimentary but do not share commonalities notwithstanding their associations within a cluster can create shared economic and social value.

**7.2.4 Industrial Upgrading and/or Business Expansion**

Industrial upgrading and/or business expansion emerged from the data as a fourth mechanism of value creation. Many of the participants engaged in this process, either organically over time or quickly to keep up with the demands for their products or anticipated demands. To reiterate the citation from the Chapter Five’s analysis, industrial upgrading can be defined as “a process of improving the ability of a firm or an economy to move to more profitable and/or technologically sophisticated capital and skill-intensive economic niches” (Gereffi, 1999: 51-52), and is considered a driver for growth and increased differentiation within a cluster. In the case of the SMFDG, this has been the case, whether it be by purchasing more kegs to keep up with the demands for beer, as was the case with two of the breweries, or more sophisticated kitchen equipment to be able to bake at a faster speed. This can be considered a direct form of economic value creation.

While industrial upgrading could be perceived as an avenue to make businesses more profitable to create economic value for them, upgrading and expansion can lead to indirect social value creation as well, particularly related to employment in particular. The Fruit and Vegetable Box Supplier, for example, as he has expanded has been able to hire more drivers to create employment. The Farm Shop and Butchers’ have been able to take on an apprentice when they made their shop larger, but also when their land expanded, they have created a garden and opportunities for school kids to learn more about farming – how pigs are reared, specifically, as discussed in the first analysis chapter. The Gin Distillery has doubled their volumes in three years, necessitating hiring a team of ten people (e.g. marketing and salespersons).

**7.2.5 The Revised Theoretical Framework for Cluster Shared Value Outlined**

This section of the chapter will introduce the revised cluster shared value framework (CLSV) that emerged from the data adapted from the originally proposed CLSV framework. The emergence of the four potential mechanisms of value creation are incorporated here to make for a more streamlined and complex framework for economic and social value creation in SME clusters. It also stipulates that the theoretical contribution that value creation occurs when SME clusters act as a *cluster* of practice as opposed to a *community* of practice, a departure from the original CLSV framework. The four mechanisms connect to the cluster, and further to the value creation boxes. The arrows between the “economic value creation” and “social value creation” are no longer dotted, and feed one way to represent the cyclical creation of indirect social and economic value in SME clusters, as occurring from the social level of value creation to the economic level of value creation and vice versa in a proverbial loop. Lastly, as in the original proposed framework, the curved arrows connecting the cluster and CLSV indicate that cluster shared value strengthens the cluster, economically and socially, which strengthens, in turn, the level of economic and social value creation. Below is the revised CLSV framework. Please note that for easier readability, industrial upgrading and/or business expansion is labelled as industrial upgrading.



# Figure Six: The Revised Cluster Shared Value Framework

As the revised CLSV framework has now been introduced, it is pertinent to note that CLSV does not necessarily occur in an SME cluster, regardless of its treatment as a CLoP and if it can be considered as such. As discussed in the analysis chapters, there are barriers and problems small businesses face, or alternately, growth they may experience that could inhibit CLSV.

**7.3 Barriers and Hinderances to Cluster Shared Value**

This section will consider how cluster shared value (CLSV) can be negatively affected and hindered to create shared value, from the social to economic level, and vice versa. Secondarily, the singular level will also be considered as to how stand-alone can have negative impacts on social or economic value creation. This section is structured according to the four mechanisms of value creation (i.e. community identity and pride, collaboration, attitudes towards competition, and industrial upgrading and/or business expansion), with a view to understand how barriers SMEs face can cause negative effects. Following these, a brief conclusion and summation on the discussion chapter will follow before the conclusion chapter to the final study.

**7.3.1 Community Identify and Pride**

As aforementioned in previous chapters of the analysis and discussion, the SMFDG and its members are committed to the communities in which they operate. This mechanism is a key of social value creation leading to indirect economic level value creation, as they practice socially responsible activities. They are proud to be a part of the local food and drink movement in the region. The sense of community identity and pride is tangible, as witnessed from participant observation at events and interviews. Their views are aligned with the core ethos of the SMFDG to support each other and buy local products. They advertise their businesses as being local through labelling products and their shops as such. However, social and/or economic value creation in relation to the community identity and pride mechanism and its sub-mechanism of support for local produce and businesses, can be viewed as hindering CLSV in some respects.

The first is resistance or problems with social value creation is related to the communities in which they operate. For example, the Gin Distillery has encountered resistance from their community as people in the village they operate in because of concerns over drunkenness on their streets, and the Fruit and Vegetable Box Supplier received negative responses on social media when choosing to support a deaf charity over an animal charity in his rural community. While both businesses are expanding in their sales growth to create regional economic value, which in turn, leads to indirect social value creation (e.g. through employment), it does not encourage a positive attitude within the community itself and could potentially create for them a decreased desire to engage in socially responsible actions with the communities in which they operate (e.g. participation in local events or donations). In relation to CLSV, this has an indirect negative effect on social value creation.

Secondly, while it is recognised that while there is an increasing number of businesses in the cluster and in membership of the SMFDG (which can lead to market saturation and demise of smaller businesses in the cluster ultimately, as also discussed in the Chapter Five’s analysis, related to the mechanism of attitudes towards competition), the fast expansion of firms in the SMFDG can also lead to a barrier to CLSV. As these businesses grow larger and begin to expand nationally and internationally, as with the Gin Distillery and the Salad Dressing Company, they become less engaged with the process of mutual engagement with the SMFDG. While still being proud to be part of the region, both expressed that they do not have the time any longer to be a large part of the SMFDG and their community as they focused on these efforts, and viewed identifying with community identity and pride as less important.

In relation to considering a cluster as a CLoP, this distance may cause expanding businesses to not have the ability to spread their knowledge to smaller businesses in the cluster, leading to the hinderance of mutual engagement leading to a shared repertoire. CLSV is affected here, as the potential for economic value creation among other members through knowledge sharing is decreased, and social value creation by the expanding nature of their business and the time associated with these processes. Expanding businesses do not have the resources to engage in CLSV, essentially, which could potentially indicate that the cluster lifecycle could be affected in the long run.

A sub-mechanism of community identity and pride emerged as support of local produce and businesses; SME clusters have barriers in this are as well to creating cluster shared value. Whereas most participants wanted to buy local produce for their products or sell in their businesses and do where they are able, it was sometimes not plausible or possible. As addressed in-depth in the Chapter Five’s analysis, quality, availability, practicality, and price were the key barriers encountered here. As opposed to buying from local producers and stockists to create direct economic value between cluster actors leading potentially to indirect social value (e.g. employment, apprentices, charitable donations or participation in such events), money spent on local produce outside of the region and more specifically between clusters actors could be a detriment to CLSV.

**7.3.2 Collaboration**

As addressed in Chapter Five’s analysis, the SMFDG has facilitated many collaborations between members, acting as an intermediary in line with their goal to create a collaborative environment, particularly during meetings. Many collaborations have also occurred as result of recommendations from other businesses (e.g. seeking information about other businesses to talk to or products). Farmers’ markets and other events have also led to fruitful collaborations. However, many participants did report barriers and problems with maintaining or facilitating collaborations, considered here, as well as the problems and barriers related to the sub-mechanism of collaboration, unwillingness to share knowledge and secrecy.

The key problems that participants identified as barriers or problems faced when collaborating with other businesses were costs, loss of production and labour time, as well as time overall, and the ability to produce appropriate quantities. These problems can have a negative effect on CLSV in terms of shared value creation as they can potentially limit business growth when they are unable engage with other businesses in collaborative ventures.

A specific problem that arose among participants was the cost of attending events (e.g. food fairs and markets). Losing production time, transport costs and stall fees led, particularly for the smaller and newer businesses who struggle financially to survive, to making attending these events unjustifiable. If the events were less expensive, smaller businesses could attend more easily, allowing for more collaborations to occur that could lead to their expansion and economic growth. This is supported by the SMFDG’s free and accessible meetings, wherein many collaborations have been created and knowledge is shared. Further, the market exposure at events could lead to more sales and an increased client base. Overall, the inaccessibility of events has a negative effect on the potential for economic value creation for SMEs, and in turn, their ability to engage in indirect social value creation.

 In terms of cost, SME participants reported that they could not meet the demands of eating venues for the prices they wanted, as they do not have the economies of scale, particularly in the case of one or two-person operations. As discussed in the analysis, this negatively affects the individual businesses at the economic level. Further, the cluster itself is potentially negatively affected; collaborations with eating venues could lead to facilitation of further ones through recommendations from producers. In terms of CLSV, this could strengthen the cluster to create indirect economic value creation, with the potential for indirect social creation to occur.

 As discussed previously, CSV assumes that larger corporations will incorporate SME supplier clusters into their strategic plans; this was not the case with the SMFDG. The opposite occurred. Participants that wanted to collaborate with larger retailers were met with avoidance and unreasonable demands for quantity, labelling and promotions they wanted them to meet on their products. In terms of CLSV, this has a negative effect on economic value creation, as it may prevent SMEs from financial growth and expansion, having an indirect negative effect of social value creation.

 Related to the sub-mechanism of unwillingness to share knowledge or secrecy that emerged, it was found as addressed in Chapter Five’s analysis, some participants were found to be unwilling to share knowledge, particularly with competitors, whereas in the other cases they were. Additionally, there were incidents of secrecy between participants. Unwillingness to share knowledge tended to increase as new competitors to the market experienced business growth, as the Cider House Owner and Brewery Co-owner A noted. For example, in the case of the Cider House Owner, he was the one who became increasingly wary of sharing, whereas Brewery Co-owner A said the opposite – other breweries were less willing to guide them. Interviewees who discussed reluctance to share knowledge or kept their trade secrets a secret all noted that there is a danger of doing so for their own businesses; there is only one pool of customers in the region, essentially. As SMEs they cannot risk sharing knowledge to their customers, so they may keep their customer base.

While conflict is a part of CLoP theory, by not engaging in a collaborative manner to prevent market saturation because they are competitors, the creation of CLSV is negatively affected. As the market becomes more saturated, their potential to create economic value for their businesses decreases, as does their potential to create indirect social value for their communities. Potentially, instead of being secretive and uncooperative with one another, they could merge or create partnerships with one another, as the pub and brewery did. Related to the secrecy and unwillingness to share knowledge is the mechanism of attitudes towards competition, considered in the following section.

**­­­7.3.3 Attitudes Towards Competition**

As addressed in Chapter Five’s analysis, there was not a significant amount of negative comments or anecdotes among participants towards their direct competitors that may create barriers or problems that could affect CLSV. Many participants are engaged in niche markets in specialist labour pools for the region, with different goals for growth between other competitors (e.g. the cider house, gin distillery and goats’ cheese producers), so thus, do not feel threatened by competition. Alternately, as with the Salad Dressing Company, the Cider House and Gin Distillery, they feel they are ahead of competitors in terms of their growth and sales and are not threatened either.

However, this is not to assume that there are not barriers and problems SMEs in the cluster face with regards to new entrants and competition. As discussed, there is a growing number of breweries and bakers in the region, to the point of market saturation. As the number of breweries increases, and the number of bakers for example (whether from operating from home or in industrial kitchens), the number of eating venues or outlets and customers they may reach is diminished, as previously addressed in Chapter Five’s analysis related to collaboration and secrecy. This has a negative effect on CLSV, as it can hinder SMEs’ economic growth on an individual firm level and in turn, indirectly affect their ability to create social value (e.g. not being able to afford to hire additional staff). The effect of market saturation and having too many competitors could potentially also to a negative effect on regional economic growth and social value creation.

**7.3.4 Industrial Upgrading and/or Business Expansion**

Industrial upgrading and/or business expansion has been identified as a mechanism for shared economic and social value creation. While these expansions or upgrades can lead to shared economic level to indirect social level value creation (e.g. upgrading machinery can lead to the ability to produce more stock faster, as in the case with the Cider House, allowing for the hiring of additional staff to press the apples needed to keep up with volume demands), there are problems and barriers faced by SMEs in relation to CLSV. In the case of barriers to industrial upgrading and/or business expansion, it is primarily economic value creation that affects indirect social value creation negatively.

 Financial concerns are common in SMEs; while some participants noted they would like to upgrade their equipment or expand their business, they were concerned that this may not lead to the desired gains in the long term and could prove to an expensive gamble for them. Brewery Co-owner A and the Farm Shop and Butcher Co-owner, for example, voiced these opinions, as noted in Chapter Five. Further, the amount of time spent exploring ways to expand their operations was hindered among participants with little to no staff, as they are the sole operators of their business and simply do not have this time to do so. This has a negative effect on CLSV; they are focused on their day to day operations, not on creating economic value.

 When addressing the economic value that could potentially be created, the issue for some, particularly as the butcher and deli employee identified, was a reduction in the quality of their products as they were not making them in-house for a even a short period, as well as the Chutney and Jam Maker noted. This hinders economic value creation. Further, and contrary to the mechanism of industrial expansion wherein economic value creation affects indirect social value creation negatively primarily, the opposite occurred with the butcher and deli – they would like to, and have the demand to, expand but they have been in the community for nearly a century and feel as though they owe it to the community to stay where they are as a they feel indebted to their loyal customers for their success. This hinders their ability to create economic value for the region.

 Further, the physical space of premises represents another hinderance to CLSV – as businesses expand and need more space to increase the volume of product to meet consumer demands, they may need to relocate, away from the region and in turn, the SMFDG cluster. This may affect the lifecycle of the cluster in the long-term.

 Lastly, economic value creation that affects indirect social value creation is hindered by bureaucratic issues with regards to grant funding or government licencing, due to the hurdles they may face. This could affect economic value creation and social value creation. For example, in the case of the café and bakery in the SMFDG that employs women offenders, without grant funding from the council, they would not have been able to create CLSV.

As the three sections related to the discussion have now been addressed, it is relevant to briefly summarise them in the conclusion to this chapter, followed by the final conclusion chapter of this study.

**7.4 Conclusion**

As addressed above, this summary section will consider the three broad sections that have comprised this discussion chapter. The first addressed differences between CLSV and CSV, comparing the two using eight different category comparisons. It was found that there are many differences between CLSV and CSV. Additionally, this chapter addresses the theoretical, empirical, conceptual and methodological contributions to the study and more specifically in this section.

 The second section of this discussion chapter introduces the revised CLSV framework and adapts the original proposed one to incorporate the four potential mechanisms of value creation – community identity and pride, collaboration, industrial upgrading and/or business expansion, and attitudes towards competition. More specifically, this section addresses how, when operating as CLoP an SME cluster may create direct and/or indirect social and economic value, from the economic to the social level and vice versa. Specifically, it was found that community identity and pride can create direct social value creation, leading to indirect economic value creation and is a key driver to CLoP as a theory. Collaborations can create indirect economic value creation leading to indirect social value creation, industrial upgrading is a form of direct value creation leading to indirect social value creation and lastly, competition, specifically co-opetition among SMEs, can create direct economic value leading to indirect social value creation. Notably, and contrary to CSV, creating shared value is not part of purposeful strategic business plans, hence why value creation among SMEs occurs indirectly at both economic and social levels.

However, the third section of this chapter addresses barriers and hindrances to CLSV in relation to the four mechanisms and does not assume that value is automatically created even if an SME cluster is operating as a CLoP, drawing primarily on the empirical interview data and will be discussed as a further research direction to conclude this study in the following conclusion chapter.

Lastly, as considered more in-depth in the conclusion, it was found that this study has made significant original contributions theoretically, empirically, and methodologically to the understanding of shared value creation in SME clusters, and has made conceptual contributions to management perspectives of business clusters. Additionally, CLSV has potential policy implications and for SMEs and SME clusters.

However, it should be noted that not all of the findings can be fully explained here and indicate directions for future research, such as neutral but beneficial impacts of collaborations and stand-alone economic and social impacts occurring at a singular .level and how they might create indirect economic and shared value creation within in a cluster. It can be said that CoP theory, and in turn the newly introduced CLoP theory, and strategic CSR, but at an indirect level to create CLSV are consistent and aligned with the literature. While other alternative explanations could have been used to explain the mechanisms of potential value creation, CoP theory was chosen over them (e.g. theories of social capital, social mapping/network analysis or institutional theories) due to CoP theory’s focus on the quality of relationships rather than the quality of them. The researcher is open to possibility of engaging in a more mixed methods study, wherein quantitative approaches are considered alongside the qualitative approach, however. Other future research directions are considered in the following chapter.

**Chapter Eight: Conclusion**

**8.0 Introduction**

This chapter represents the final chapter of this study. It is comprised of three broad sections: the first reiterates the research problem, questions addressed and aims of the study, the second summarises of the study’s analyses and discussion, considering also the limitations encountered during the research process and to the creation of cluster shared value (CLSV), addressing how the research problems, questions and aims were met or, alternately, not. Lastly, this chapter concludes the study with a section on recommendations for further research.

**8.1 Research Problems, Questions and Aims Summarised**

This section summarises the research problems that formed the focus of this study, as well as the two primary research questions. To reiterate, the main research problem addressed in this study is the lack of theoretical grounding associated with the creating shared value concept (CSV) and its relationship to business clustering, and the lack of empirics related to SME clusters that are not part of a specific supply chain cluster associated with larger firms. Porter and Kramer (2011) have used examples from their own consulting work with MNCs to illustrate successful cases of CSV, and ignored SME clusters who, while they share the same industry, do not engage in the same activities and MNCs, as with the SMFDG. Further, they assume that CSV will automatically occur, ignoring the barriers and pitfalls smalls businesses face. To address these problems with CSV, two research questions were posed for this study, the first asking if SME clusters can create value and if so, how this may occur. The second seeks to rectify the lack of theoretical lens in CSV and seeks to explore if an SME cluster can be considered a CoP, or an adaptation thereof, to potentially facilitate shared value creation.

The study’s aims reflect the research problem and accompanying research questions. The first is to enhance the social relevancy of CSV using CoP theory, which subsequently was adapted to reflect CLoP theory and CLSV, as opposed to CSV and CoP, aligned with the primary research question regarding CoPs and if they could be adapted for SME clusters. The second aim was to empirically study an SME cluster to create shared economic and social value, aligned with the research question of how SME clusters can, and if, they create shared value. The third aim was to use qualitative techniques to meet the first and second aims. Lastly, the study aimed to demonstrate the methodological, theoretical, empirical contributions and implications related to the application of the CLSV framework. Notably, conceptual contributions and policy implications emerged from the data as well. These will be discussed further in the third section of this chapter, related to these contributions to the study. But first, the second section of this chapter related to findings is summarised to provide context to these contributions.

**8.2 Summary of Analyses and Discussion Chapters**

 This section provides a summary of the Chapters Five and Six, the analyses chapters, and Chapter Seven, the discussion chapter, leading to the following section on the aforementioned developments and contributions to research and knowledge that emerged from this study.

 Chapter Five introduces both analyses chapters and addresses the question of whether SME clusters can create shared value and if so, how. Primarily based on 27 empirical interviews and participant observation data, four potential mechanisms of potential value creation emerged, namely the previously identified mechanisms of collaboration, attitudes towards competition, community identity and pride, and their related sub-mechanisms. Each mechanism and their sub-mechanisms were considered in relation to CLSV. This chapter supports the CLSV framework. Contrary to Porter’s and Kramer’s (2011) notion that shared value is an intentional, strategic plan for value creation through the choice of specific social initiatives, it was found that value creation occurs not as direct, strategic plan but rather at an indirect level between SMFDG members (economic-to-social levels of value creation or both to varying degrees). This supports the CLSV framework. However, issues related to profit margins, cost, time, resources, and labour are critical barriers were found to be barriers or hindrances to CLSV, as well as issues such as resistance from their communities and larger retailers that arose.

 Chapter Six, the second of the analysis, addresses the question of whether SME clusters can be considered a CoP, or an adaption of a CoP, leading to the creation of shared economic and social value. This chapter analyses the SMFDG through the theoretical lens of CoP, focusing on theory as opposed to empirics as in Chapter Five. The analysis supports the CLSV framework, with a consideration of Wenger’s (1998) tenets of CoP theory and their application and relation to the SMFDG – namely, the usage of the terms “community” and “practice”, indicators of a CoP, the dimensions of mutual engagement, joint enterprise and shared repertoire that are necessary for a CoP, and lastly, situated learning processes in a CoP. For Wenger (1998), the tenets of CoP theory address how it occurs at the organisational, not the cluster, level. That was not found to be the case, leading to the adaptation of CoP theory into CLoP theory specifically related to cluster, wherein the firms replace individuals as members of the community, leading to the development of the revised CLSV framework introduced in Chapter Eight’s discussion.

Chapter Seven, the discussion chapter, identifies eight key differences between CLSV and CSV. From these, it is evident that CLSV and CSV are not the same, particularly with regarding their treatment of larger corporations. For instance, one of the differences between CSV and CLSV is that MNCs and larger corporations pick the social initiatives that are best suited to their economic interests, not the ones communities actually need. In CLSV, SMEs incorporate social responsibility into their core ethos – not as part of a strategic plan as they are focusing on their own survival – and are better able to identify the social needs as they can identify them first hand in their communities. Thus, CLSV can be viewed as more effective in harnessing and creating social value then CSV; this represents an important contribution to the understanding of shared value creation in SME clusters.

Another significant difference between CSV and CLSV is how value is created in a cluster. In CLSV, economic and social value can be created indirectly through direct economic or social value creation. For example, industrial upgrading is a direct form of value creation that can create indirect social value (e.g. increased production from upgrading machinery may necessitate hiring more employees). The final section, however, addresses the barriers and hindrances to CLSV that may occur with relation to each mechanism. Unlike CSV that presumes shared value will certainly be created if MNCs incorporated it into their strategic business plans, CLSV recognises the challenges SMEs face that may negatively affect the cluster, as addressed in the previous section and expanded on in the discussion chapter (e.g. time, cost, labour, resources). Overall, however, these chapters support the CLSV framework and demonstrate that this study has made significant empirical, conceptual and theoretical and potential policy contributions to management knowledge of clusters and shared value creation in SME clusters, as discussed in Chapter Seven’s discussion extensively.

**8.3 Further Research Directions**

 This concluding section of this study suggests further research directions that go beyond the scope the CLSV framework for SME clusters. First, another direction to study would be to consider how non-purposely formed clusters or clusters that cannot be consider a CLoP create shared value in the cluster, and if so, how. Secondly, a more longitudinal study of an SME cluster and CLSV would give a better indication of the cluster’s lifecycle, considering market saturation as the number of SMEs in the cluster increase, or how, as businesses grow and expand outside the region, which could potentially have negative effects on CLSV. A consideration of the barriers and hinderances that SMEs face to create shared value may also benefit from a longitudinal study, to better understand how this may affect the cluster lifecycle. Further research on the social and economic value created at the individual firm level by SMEs in the cluster – which was briefly discussed through the analysis – could potentially be considered more in-depth related to CLSV creation. Lastly, it was noted in the second analysis chapter, studies of of secrecy or an unwillingness to share knowledge by SMEs in clusters present a gap in the literature; none have focused specifically on this area to date.

 Lastly, and in the first person again as my opening paragraphs of Chapter One and the reflexivity section in Chapter Four, I hope to further study these further directions myself. After studying – and witnessing, in the UK and Canada – CLSV in “action” and the potential barriers SMEs can encounter that may lead to negative effects on CLSV, the inspiration my hometown triggered, and the SMFDG, is even greater to continue the study of SME clusters and how they may create shared economic and social value creation allowing for both their businesses and communities to prosper. Further, I hope to engage on a greater level with policy makers as to how CLSV make take place, both in developed and developing countries, particularly considering the 1000s of SME clusters that exist globally and how they can create cluster shared value for their region’s and firm’s economic benefits and their communities.

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**Appendix A: Key Cluster Definitions**

This appendix contains key cluster definitions reviewed in Chapter Two’s literature review, section 2.2 on Common Themes, Strengths and Weaknesses of the Cluster Concept, and not ordered in relevance or importance.

1. **Use of the term “cluster” specifically:**

Porter (1990: 199): “A cluster is a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities”.

Crouch et al. (2001: 163): “The more general concept of ‘cluster’ suggests something looser: a tendency for firms in similar types of business to locate close together, though without having a particularly important presence in an area”.

Rosenfeld (1997: 4): “A cluster is very simply used to represent concentrations of firms that are able to produce synergy because of their geographical proximity and interdependence, even though their scale of employment may not be pronounced or prominent”.

Feser (1998: 26): “Economic clusters are not just related and supporting industries and institutions, but rather related and supporting institutions that are more competitive by virtue of their relationships”.

May, Mason and Pinch (2001: 365): Argue that, “If these firms [in this cluster] are very close together at the level of an urban neighbourhood, then the term *industrial*  district may be applied, but the term *cluster* [emphasis in original] is usually restricted to firms agglomerating in a region that can be up to 50 miles in radius (and even bigger in some cases)”.

Schmitz (1992: 101): “[A cluster is] A group of producers making the same or similar things in close vicinity to each other”. For Schmitz, the two defining characteristics of a cluster are geographical concentration and sector specialisation.

Swann and Prevezer (1996: 1139): “Clusters are here defined as groups of firms within one industry based in one geographical area.”

Swann (1998): Equates clusters and cities as one in the same. Suggests that, “London seems to be an evergreen cluster… that through luck or design happens to have mature industries which attract new industries” (Swann, 1998: 63).

Simmie and Sennett (1999: 51): “We define an innovative cluster as a large number of interconnected industrial and/or service companies having a high degree of collaboration, typically through a supply chain, and operating under the same market conditions”.

Roelandt and den Hertag (1999: 9): “Clusters can be characterised as networks of producers of strongly interdependent firms (including specialised suppliers) linked each other in a value-adding production chain. In some cases, clusters also encompass strategic alliances with universities, research institutes, knowledge-intensive business services, bridging institutions (brokers, consultants) and customers”. Note that spatial proximity is not a necessary element in this definition.

Van den Berg, Braun and Van Winden (2001: 187): “The popular term cluster is most closely related to this local or regional dimension of networks … Most definitions share the notion of clusters as localised networks of specialised organisations, whose production processes are closely linked through the exchange of goods, services and/or knowledge”.

Enright (1996: 191): “A regional cluster is an industrial cluster in which member firms are in close proximity to each other”.

Perry (2005: 11): “…[assuming that] clusters are associated with a concentration of activity in a specific locality… the proposition that there is a distinct advantage from business locating in close proximity to other businesses of the same specialization, connected through buyer-supplier linkages or through the use of common inputs.”

Malmberg and Power (2006: 57): “If one takes cluster theory seriously, then a strict definition of a true cluster is based on the criterion that there should be a spatial agglomeration of similar and related economic activity; these activities should be interlinked by relations and interactions of local collaboration and competition; there should be some form of self-awareness among the cluster participants and some joint policy action (we are a cluster and we are determined to develop together); the cluster should be, in one way or another, successful (innovative, competitive)’’. Reiterated here as is used in this study. Note that the fourth criterion is not necessarily vital.

Ketels and Memedovic (2008, 378): “The definition of clusters builds on three key pillars. The first pillar is *geography*. Clusters are driven by proximity and are often concentrated in a region within a larger nation, and sometimes in one town. The second pillar is *value creation*. Clusters include companies in different industries that are related to each other in the production of goods and services valued by customers. The third pillar is the *business* *environment*. Clusters are affected by cluster-specific business environment conditions resulting from individual actions as well as co-operation of companies, government agencies, universities and other institutions in the national and regional innovation system. In addition, clusters are important dimensions of strong business environments”.

1. **“Industrial District” Definitions:**

Sforzi (2002: 442): “The industrial district is a local system characterized by the active co-presence of a human community and a dominant industry constituted by a set of small independent firms specialized in different phases of the same production process”.

Harrison (1992: 471): “[Industrial districts are] loosely coupled, spatially-clustered manufacturing companies, typically built around a craft form of work organization.”

1. **“Learning regions”:**

Hassink (2010: 7): “Of all concepts related to evolutionary economic geography, the learning region concept is arguably most focused on policies influencing regional economic adaptability… Although there are several definitions and perspectives, most scholars consider learning regions as a regional innovation strategy in which a broad set of innovation-related regional actors (politicians, policymakers, chambers of commerce, trade unions, higher education institutes, public research establishments and companies) are strongly but flexibly connected with each other, to encourage regional economic growth”.

**“New Industrial Districts” (or spaces):**

 A new industrial district or space can be considered a sizable and spatially delimited area of new trade-oriented economic activity that has a distinctive economic specialisation, be it manufacturing, resource related or services. Examples of new industrial districts can be viewed as Silicon Valley, Tech Cities in the UK, or the Baden- Baden-Württemberg region of Germany, that consist of several different industrial clusters and research institutions. (Raco, 1999)

1. **“Neo-Marshallian Nodes”:**

Amin and Thrift (1995: 101): A neo-Marshallian node is a centre with the “unique ability to act as a pole of industrial excellence and intelligence, and to offer to the wider entrepreneurial collectivity a well consolidated network of contacts, knowledge structures and institutions...these centres are the forcing houses for the construction of worldwide networks of social relations through which discourses circulate and are modulated”.

Henry and Pinch (2001:1169): “The term ‘neo-Marshallian' draws on the historical concept of the Marshallian industrial district and, in a sense, is an attempt to update the notions of localisation and agglomeration to cope with contemporary economic times”.

The term is further used to highlight the emergence of new localised industrial complexes within the context of expanding global corporate networks. Marshall's (1890) industrial districts were first identified as part of regional, national, and, to some extent, tightly constrained international, economic systems. In contemporary times, Amin and Thrift's (1992) concept of the neo-Marshallian nodes aims to hold on to Marshall's insights into agglomeration whilst recognising that these local production complexes are nodes within (still relatively tightly constrained) global(ising) economic systems.

**Appendix B: Indicative Interview Questions**

1. First, please state your role at the company.
2. Can you tell me a bit more about what you do, when you started, your story and your motivations for starting up the company briefly?
3. How many staff do you currently employ and what is the basic structure of the business?
4. When did you join the SMFDG and what were your motivations for joining?
5. How actively are you engaged with the SMFDG [note to self: as peripheral, core or marginal members]?
6. Is using local products and supporting local producers important to you? If so, how important? If not, why not? [note to self: as a CoP – are they are a part of the common goal/shared pursuit to engage in this to create economic value and in turn social value?]
7. Have there been overall business benefits for the company since becoming involved with other local businesses and being part of the SMFDG? [economic value creation?]
8. Would these business benefits have been possible if the business has not engaged with these networks? [cluster benefits/mutual engagement]
9. Does the company view involvement with the community as very important? If so, how have you set out to engage with the community and what types of activities have you engaged in? [social value creation]
10. What barriers do you face as a small business to practice socially responsible activities that help the community? [SME barriers]
11. How important does it seem to your customers, not just stockists, that they purchase locally based products and why? [community involvement]
12. The SMFDG and other organisations hold several food and drink events throughout the year. Have you had any experience with these events? Any lessons learned from other members at or from these? [mutual engagement, shared repertoire]
13. If so, have they benefitted your business? [clusters, economic value creation]
14. In general, what are your thoughts on the community orientated focus on food and drink businesses in the region, as it is so unique. Do you think new businesses are motivated to open partially due to this? Was this a motivator for you?
15. If applicable: in recent years, other [type of business] have opened in the region. Do you think this increased competition will have positive or negative impact on your business?
16. Lastly, any further thoughts on future directions for your business and involvement with the local community and SMFDG and beyond?

**Appendix C: Interview Profiles**

Listed below is a list of the 27 SME interviewees, business type, date of interviews, length of interviews, sites of interviews and number of field notes taken. Note also that the number of field notes taken is approximate, as they were hand-written and were taken either during guided tours of premises by owners, in the researcher’s vehicle immediate afterwards or back at her accommodation. Also, the number of field notes taken was contingent on the size of the business, length of the tour and information the researcher was able to derive from secondary data online (e.g. pictures of the businesses on their websites).

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| 1. Business Type: Goat’s Cheese Producers.

Interviewees: The two co-founders/owners/operators.Date of Interview: November 18, 2015, 10 a.m, Length of Interview: One hour, eleven minutes.Site: On-premises.Number of field notes taken: Please note this was difficult to determine (as some pages were inadvertently eaten by a goat during the tour of the premises) but approximately seven pages. |

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| 1. Business Type: Tea-room/farm shop.

 Interviewee: Co-founder/owner/operator. Date of Interview: November 18, 2015, 12 p.m. Length of Interview: One hour, 12 minutes, 45 seconds. Site: On-premises.  Number of field notes: Four pages. |

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| 1. Business Type: Cider House.

Interviewee: Founder/owner/operator.Date of Interview: November 18, 2015, 3:30 p.m.Length of Interview: 40 minutes, 15 seconds.Site: On-premises.Number of field notes: Six pages. |

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| 1. Business Type: Home Bakery.

Interviewee: Founder/owner/operator.Date of Interview: November 19, 2015, 9 a.m. Length of Interview: 42 minutes, 12 seconds.Site: On-premises.Number of field notes: Two pages.  |

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| 1. Business Type: Gin Distillery.

 Interviewee: On of two co-founders/co-owners/operators. Date of Interview: November 19, 2015 at 3:00 p.m. Length of Interview: 59 minutes, 47 seconds.  Site: On-premises.  Number of field notes: Four and a half pages.  |

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| 1. Business Type: Chutney and jam producer.

Interviewee: Founder/owner/operator.Date of interview: November 20, 2015, 9 a.m.Length of Interview: 42 minutes, eight seconds.Site: On-premises. Number of field notes: Three pages. |

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| 1. Business Type: Café/bakery.

 Interviewee: Founder/owner/operator. Date of Interview: November 20, 2015, 2:00 p.m. Length of Interview: 58 minutes, 57 seconds. Site: On-premises. Number of field notes: Five and a half pages. |

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| 1. Business Type: Vineyard.

Interviewee: Founder/owner/operator.Date of interview: November 21, 2015, 10:30 a.m.Length of Interview: One hour, 35 minutes, 10 seconds. Site: On-premises. Number of field notes: Five pages. |

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| 1. Business Type: Home Pie Maker.

Interviewee: Founder/owner/operator.Date of Interview: November 23, 10:30 a.m.Length of Interview: 59 minutes, 24 seconds. Site: On-premises. Number of field notes: Two and a half pages. |

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| 1. Business Type: Pub.

 Interviewee: Owner/operator. Date of Interview: November 23, 2015, 3 p.m.  Length of Interview: 25 minutes, 40 seconds. Site: On-premises. Number of field notes: Three pages. |

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| 1. Business Type: Catering/baking.

 Interviewee: Founder/owner/operator. Date of Interview: November 24, 2015, 11:30 a.m. Length of Interview:42 minutes, 40 seconds. Site: On-premises. Number of field notes: Two pages. |

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| 1. Business Type: Brewery.

 Interviewee: One of the two owners/operators. Date of Interview: November 24, 2015, 2:30 p.m. Length of Interview: 53 minutes, eight seconds. Site: On-premises. Number of field notes: Six pages. |

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| 1. Business Type: Pay-As-You-Feel Café.

 Interviewee: Volunteer. Date of Interview: November 25, 2015, 10 a.m. Length of Interview: 35 minutes, 56 seconds. Site: On-premises. Number of field notes: Seven pages. |

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| 1. Business Type: Co-operative Shop.

 Interviewees: Accountant and General Office Manager. Date of Interview: November 25, 2015, 1:00 p.m. Length of Interview: 57 minutes, 14 seconds. Site: On-premises. Number of field notes: Nine pages. |

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|  1. Business Type: Pub/brewery.

 Interviewees: Director of Business/Assistant Brewer and General Manager. Date of Interview: November 25, 2015, 3:00 p.m. Length of Interview: 47 minutes, 28 seconds. Site: On-premises. Number of field notes: Eight pages. |

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| 1. Business Type: Deli/bakery/butchers.

 Interviewee: General employee (family member). Date of Interview: November 26, 2015, 10 a.m. Length of Interview: 54 minutes, 17 seconds. Site: On-premises. Number of field notes: Ten pages. |

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| 1. Business Type: Farm shop/butchers.

 Interviewee: Co-founder/owner/operator. Date of Interview: November 26, 2015, 2:00 p.m. Length of Interview: 49 minutes, 59 seconds. Site: On-premises. Number of field notes: Eight pages. |

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| 1. Business Type: Deli/butchers.

 Interviewee: Founder/owner/operator. Date of Interview: November 26, 2015, 4:30 p.m. Length of Interview: 58 minutes, 57 seconds. Site: On-premises. Number of field notes: Seven pages. |

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| 1. Business Type: Chocolatier.

 Interviewee: Founder/co-owner/operator. Date of Interview: November 27, 2015, 10 a.m. Length of Interview: 30 minutes, 23 seconds. Site: On-premises. Number of field notes: Two pages. |

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| 1. Business Type: Café/bakery.

 Interviewee: Chief Operating Executive of the social enterprise thar belongs to the wider charitable trust affiliated with the café/bakery.  Date of Interview: November 27, 12:00 p.m. Length of Interview: 51 minutes, 39 seconds. Site: On-premises. Number of field notes: Twelve pages (note that the tour was extensive). |

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| 1. Business Type: Hamper-making delivery business/online shop.

 Interviewee: Co-founder/owner/operator. Date of Interview: December 2, 2015, 10:30. Length of Interview: 43 minutes, 34 seconds. Site: On-premises. Number of field notes: Two pages. |

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| 1. Business Type: Event catering/food delivery service.

 Interviewees: The two founders/owners/operators. Date of Interview: December 2, 2015, 2:00 p.m. Length of Interview: One hour, three minutes, 35 seconds. Site: On-premises (one of their homes where they prepare the food). Number of field notes: One page. |

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| 1. Business Type: Fruit and Vegetable Box Supplier.

 Interviewee: Founder/owner/operator. Date of Interview: December 3, 2015, 9 a.m. Length of Interview: 33 minutes, six seconds. Site: On-premises. Number of field notes: One page. |
| 1. Business Type: Farm shop/tea-room/bakery/catering.

 Interviewee: Commercial Director. Date of Interview: December 3, 2015, 3:00 p.m. Length of Interview: 25 minutes, 31 seconds. Site: On-premises. Number of field notes: Six pages. |

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| 1. Business Type: Cow’s Cheese Producer.

 Interviewee: Founder/owner/operator. Date of Interview: December 4, 2015, 10 a.m. Length of Interview: 49 minutes, 40 seconds. Site: On-premises.  Number of field notes: Two and a half pages. |

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| 1. Business Type: Brewery.

 Interviewee: Co-founder/owner/operator. Date of Interview: December 4, 2015, 4 p.m. Length of Interview: 33 minutes, 23 seconds.  Site: On-premises. Number of field notes: Three pages. |

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| 1. Business Type: Salad Dressing Producer.

 Interviewee: Sales and Event Co-ordinator. Date of Interview: January 10, 2016, 3:00 p.m. Length of Interview: 47 minutes, 19 seconds. Site: Via Phone.  Number of field notes: Not applicable. Premises was seen via various websites and aptly described by the participant.  |

Below is a further list on non-SME interviews conducted, with affiliated institutions and with the SMFDG employees, including interviewee, date of interviews, length and sites they were conducted on, in chronological order:

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| 1. Business Type: Local Enterprise Partnership (regional).

Interviewee: Business Development Director.Date of Interview: November 27, 2015, 2:30 p.m.Length of Interview: 37 minutes, 47 seconds.Site: On-premises (board room). |

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| 1. Business Type: Regional County Council.

Interviewee: Economic Development Director.Date of Interview: December 2, 2015, 4 p.m.Length of Interview: 33 minutes, 26 seconds.Site: On-premises (personal office). |

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| 1. Business Type: The South Midlands Food and Drink Industry.

Interviewee: Communications Director.Date of Interview: December 3, 2015, 12 p.m.Length of Interview: One hour, seven minutes, 52 seconds.Site: On-premises. |

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| 1. Business Type: The South Midlands Food and Drink Industry.

Interviewee: The Chief Operating Executive.Date of Interview: December 5, 2015, 11 a.m.Length of Interview: 40 minutes, eight seconds. Site: On-premises. |

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| 1. Business: Farm College.

Interviewee: Principal.Length of Interview: 40 minutes, eight seconds.Date of Interview: January 15, 2016 1:00 p.m.Site: Via phone. |

**Appendix D: Extended Small to Medium Sized Interview Profiles**

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| Business | Business type | Structure | Premises (nearly all on-site interviews) | Position in Sector/Market | Engagement with SMFDG and the Food and Drink Awards | Motivations for starting up | Interview Setting |
| Pub Owner | Pub | Traditional English style pub that specialises in real ales. Employs locals and students. | Large pub and large beer garden. Could possibly fit about 400 people in it but fire capacity is 230 according to owner. Pub is traditionally styled with little décor. | One of many pubs in the region. | Nominated for best bar in the 2015 Food and Drink Awards. Became connected to SMFDG then, so currently minimal involvement. Have begun to attend meetings to investigate possibilities of involving more local products. In terms of other markets and events, stresses need to be selective as there are so many. Active in the Business Improvement District for the area. | Owner purchased established pub in 2006. | Casual over coffee in the owner’s pub. |
| Chocolatier Co-owner | Chocolatier specialising in handmade Belgian chocolates  | Atelier [where the chocolates are made] and Shop (located in neighbouring region). Two co-owners, husband and wife. Employ five people part-time, one temp and sometimes students helping out for brief periods of work experience. Acts as a stockist and producer for other stockists and venues (e.g. hotels) and participate in a few markets and fairs to sell or advertise their chocolates. | The atelier is a medium-sized unit in an industrial complex, comprised of three rooms: a bathroom and small area in the front where packaging takes place/deliveries are made, with a larger area in the back for making chocolates. The small shop is dedicated to their chocolates. | They are the only ones in the area specialising in handmade Belgian chocolates. Very specialist. | Will take part in a mentoring scheme for start-up and smaller businesses in SMFDG. Had to be persuaded to take part in SMFDG and the Food and Drink Awards, as did not really understand it and did not have time. Then won runner-up for Sweet Product of the Year. Recognise the Food and Drink Awards as facilitating an increase in shop and online sales immediately after. After attending SMFDG meetings, notes that it is a great networking opportunity to meet potential stockists and is more involved. Notes that in neighbouring region where their shop is, there is no help or support offered at all.  | Originally the chocolatier (Belgian husband) worked for a large chocolate manufacturer in the UK as technical support for the company, helping out smaller chocolatiers they worked with. Identified the gap in the market for handmade chocolates and decided to start company. | In the front room of the atelier at a small table over coffee and chocolates with the female co-founder. |
| Caterer A | Caterer | Offers a variety of cooking and baking services, from cakes, catering events and cooking or sugar craft classes. Largest branch of the businesses is daily corporate lunch deliveries ordered through an online web portal the day before. One sole owner. Employs four part-time adults weekday mornings and two school girls on Sunday for the week’s prep. | Situated on a farm complex, there is a small room in the front with a computer for taking orders. A large industrial kitchen is on the left, where the baking and cooking happens. The back is rented out by a fruit and vegetable delivery company. | Similar cake making and baked good businesses have opened recently, risking market saturation. The business lunch side of it, they are one of three companies on the web portal, indicating a specialist labour pool. | Would like to engage more with SMFDG but does not have the time. Joined to learn more about the food community and see how they can help each other out. Her husband has however attended training days for various things like labelling and trading standards on her behalf which they have found very useful. | Started making cakes because her wedding cake was terrible, for family and friends, while working a job she grew to hate in recruitment. As she began to bake more and more, it began to take over her evenings. Quit her recruitment job to go full time into catering, with the help of a car accident settlement. | Sitting on a stool at the island in with the owner in her industrial kitchen while the owner baked. |
| Farm Shop and Tea Room Co-owner | Tea Room and Farm Shop  | Owned by a husband and wife team, he runs the farm shop and adjoining tea room, serving light meals and baked goods, while she runs their florist and garden centre. He works alone during the week and employs about six school age children to help out on weekends. | Situated on a large family farm, the tea room is a renovated bungalow. It seats about 20 or 25 people and is very cosy and welcoming, with red padded chairs and earth tones throughout. The open kitchen at the back connects to the small farm shop next door for the owner’s ease. Farm shop has a separate entrance and serves local meats and various local produce and products. | While the majority of villages in the region have a farm shop, they are the only one in their village. One of two tea rooms. | One of the few members who has little to no engagement with SMFDG, just with Anna who approached him to join and through the emails they send. As he is a one man operation primarily, he is unable to attend meetings. | After the parents of the wife passed away, their bungalow was converted and the tea room and farm shop opened in 2010. | In the tea room over a coffee and scones with the husband co-owner. |
| Home Bakery Owner | Baker  | A baker of sweet and savoury products (e.g. cakes and flapjacks), it is solely owned and operated from her home kitchen and office. Her products can be found in local tea rooms or are made to order via direct contact and she actively goes to local farmers markets. | Situated in a large home kitchen with an industrial sized oven with her laptop at the dining table. | While there are still relatively few bakers, this is changing and they are one the rise. | Did her research to find SMFDG as wanted to be a part of organisations that support local the way she does. Attends SMFDG meetings when she can to meet people, meet producers that she might use in her products, get her name out there to build her business and promote it. Finds it very useful. One of her tea room clients enquire to SMFDG about local bakers and they connected through there. | Went to college for cooking and baking, worked in the industry for a few years, then got into IT work for 26 years as more money and better hours, though she always cooked and baked avidly. When an opportunity came to leave, she decided to follow her passion. | With the owner at her dining room table over tea. |
| Pay As You Feel Café Volunteer. | Not-for-profit Café | The Café take food donations from various sources – national distributors, local producers and stockists, any place that has food that is near it’s sell-by date, has damaged packaging and can’t be sold or is in excess (e.g. produce). Allotments, food photographers, events, food banks, anywhere. They “rescue” this food and make meals for people who pay what they feel the food is worth – every day is a different menu. If they cannot pay, they can volunteer their time helping out in cooking or another trade (e.g. plumbing) in the café or distributing leaflets for them. No paid staff. Have more than 50 volunteers. | Relatively small café that seats about 20 – 25 people in well-worn wooden chair and padded stools, with a small kitchen and two tables set along the walls of the café: one for bread and drinks with the meals and another a “food boutique” of things they will not be able to use fast enough in their kitchen that people can take. A live music venue at night, there is a bar and music posters on the walls. Storage/free-zer rooms are upstairs. | Part of a larger movement of Pay as you Feel Cafes, they are the only one in the region. However, they do not consider themselves in competition with anyone as that is not their goal. | No real engagement with SMFDG but have been nominated as Local Food Hero in the Food and Drink Awards two years running. Unsure if there were benefits to being nominated as their business is increasing steadily as is, viewing it more as an accolade. | The first Pay as you Feel cafe opened in December 2013 but this one opened in February 2015, initiated by a small group of individuals wanting to stop food wastage and get involved in the cause.  | Over a coffee in the café, with a volunteer who deals with “food logistics’”, ensures deliveries are received, coordinates volunteers and helps in any capacity needed. Makes sure everything is done essentially. |
| Salad Dressing Employee | Producer  | Make cold pressed rapeseed oil and infused products on a family farm. It was founded by a fourth-generation son of the farm, with other members of the family assisting in daily operations. Have a dedicated full-time staff of about fifteen employees in various roles from sales to production as well as local part-time employees to help in the fields. Have national and international distribution and attend large food fairs and markets to market their products. | Located on a large family farm, where everything from the harvesting of the seeds in the fields and the pressing and bottling of them takes places in their facilities, as well as makes related products such as dressing with the oil. Office space also on premises. | Cold pressed rapeseed oil is a very niche market in the UK; there are few other manufacturers. They are ahead of the rest of the market and grew approx. 30 percent year on year. | As a more established business within SMFDG, the managing director/founder has given talks at meetings. Actively attend meetings and events; if they cross paths with a local food or drink business at a festival not part of SMFDG they will introduce them to it. Founder has won the Food and Beverage Achiever of the Year Award. While they advertise this, there is unrelated growth in their business anyways but do see the benefits of SMFDG for meeting new businesses. | The founder launched the business in 2005 in an effort to diversify the farm to support the family. | Over the phone with the sales coordinator for the business; previously had met at the SMFDG meeting. |
| Chutney and Jam Producer | Producer  | Small family run business, primarily by the husband and wife team on their farm holding with other members helping out. Produce primarily homemade chutneys and baked good occasionally. Active in local farmers’ markets and various fairs and stock to restaurants/pubs and local shops. | Small holding with facilities for making cakes and chutneys and two and a half acres for growing their own fruits and vegetables. Also have a small barn and pigs. | While some farm shops and bakeries makes their own chutneys in smaller batches, Friar’s Farm is one of the very few specialising in them. | One of the more active members of SMFDG and the local food community. The father heading up the business stated he SMFDG is incredibly important and has facilitated many business collaborations through its network for them, owing his business expansion in part to this. Since they were runner-up in the new local product of the year category at the Food and Drink Awards, reports that business has tripled. | Established 2012, they started off making cakes, sweets and various other products but the chutney side began to dominate and is the centre of the business now. | At the holding, sitting at the counter while the co-founder husband made chutney. |
| Brewery Co-owner A | Craft Brewery (cask and bottled) | The business was founded by a husband and wife team. He brews and she does the accounts, scheduling and planning, administrative stuff and social media. Have one full-staff member five days a week, one four days a week and another one day a week to help out. Distribute to local shops and pubs and go to markets and fairs. | The brewery is a large unit in an industrial complex. It has two large garage doors and a customer entrance in the front. Inside there are three casks for making beer on the left and a small makeshift shop on the right for selling their displayed bottles on the premises. Bottling room in the back. There is a partial second floor with an office. | There are over thirty breweries in the region and more are opening often. Combined with the frequent pub closures the UK is experiencing, breweries are reaching market saturation. | Actively engaged with SMFDG and take part in their training courses, finding them very beneficial. State that without SMFDG, they would be much further behind then they are due to the promotions, networking even as a chance to see what competitors are doing and training they offer. State being runners-up for Artisan Local Drink Award at the Food and Drink Awards in 2013/2014 and 2014/2015 ceremonies have increased their sales but more so boosted their credibility. | Established March 2012. He used to home brew and she noted that he was happiest when he was engaged in it, so they sold their house to buy all the equipment and started a brewery. | In the office on the second floor amidst the brewing and business down below with the female co-founder. |
| Cow’s Cheese Producer | Creamery (i.e. cheese maker) | The sole owner of the business is also the only employee. Makes a variety of cheeses from cow’s milk. Makes the cheese Monday to Wednesday, followed by deliveries Thursday and Friday; also, does all the books and social media. Supplies local shops and restaurants pubs and actively goes to markets, tastings and fairs. | The creamery has subsequently moved to a the dairy farm where he gets his cow’s milk for the cheese, in a unit the same size but dedicated to production with no need to for milk fridges. Unit at time of interview was a medium sized unit in a large industrial complex, with a small front room for putting on protective coats and hair net in the front, and a room in the back with equipment, sinks and fridges for cheese to settles and milk. | He is the only one in the region who makes cheese from cow’s milk. Very specialist labour pool. | Actively engaged with SMFDG meetings, events and training. Took his first batch of cheese he had made there and it was all bought on the spot by a local stockist. Has seen tangible gains from going to meetings and met new customers and stockists through them, as well as Friar’s Farm who takes his whey for his pigs. Has found training to be very beneficial especially in terms of learning about health and safety regulations. Won new local product of the year in 2014/2015 and while it was difficult to gage if there was an increase in sales, people have recognised it and ask him about it. Helps him promote his cheese more effectively.  | Started up the creamery in 2013. While working another job three days a week, he had been making cheese at home as a hobby. As it was really nice, took it to a local cheese shop who wanted to buy it. Inspired, he went on a commercial cheese-making course and rented his unit, bought his equipment the day after he got back. After a few months, quit his other job and is now dedicated to the creamery. | In his creamery standing at his counter over a coffee. Had to wear the protective gear as well.  |
| Hamper Service and Online Shop Co-owner | Hamper-making delivery business and online shop | The business is co-founded by a husband and wife team, but the majority of the work is carried out by her on a full-time basis. Deliver ready or custom- made hampers and have an online shop of strictly local products from the region. Attend markets and fairs to market their hampers when they can. | At the time of the interview the business was operate out of their front dining room; products stacked on a large table against the wall with the dining room table set up as a desk. Plans to move to a centralised unit were being put in place for the future for a centralised unit in his father’s butcher shop. | While there are other businesses in the region that make their own hampers, they do not do them online. Honeysuckle is niche business; there are none like it in the region especially using the strictly local angle. | Active engagement with SMFDG and sees them and the Awards as having a massive impact on the growth of the sector and survival of small businesses. Have participated and benefited from training with SMFDG and learning from members. Through meetings or emails in the SMFDG directory has been able to supply hampers. Advertises that some products are finalists in the Awards to raise awareness and interest.  | Established in 2015. She worked with Rachel helping out with the Food and Drink Awards when they first started, so was aware of how much good local food was in the county but felt there was not an outlet to get it all in one place. Instead of working a part-time job to fit around her children, decided to try out a hamper and online shop business, wanting to be a part of celebrating the growing sector. | In her dining room over coffee. |
| Farm Based Employee | Farm - various | Family owned and operated primarily by the daughter of the current farmer and her husband; employ 30 people over the whole business. Engage in wide variety of activities: have a farm shop, tea room, bakery, a school meal business (five local schools per day), corporate catering daily lunch business, event catering business and supply local stockist, bakeries and a local distributer with various goods such as chutneys, meringues and pies. Go to events when they can. | The family farm is very large and has barns, livestock a separate facility in the back for baking, plus a long temporary-style building for their open office. The farm shop and tea room are nearer the front gates; it has been renovated from an old derelict barn. The inside is open concept, with the farm shop connecting to the tea room in the back. There is a loft conversion for a second story of seating space. | While there are other farm shops in the county and two bordering counties, the versatility of the farm makes it a niche business. | Some engagement with SMFDG but do not attend all meetings. Have met small producers at these that they now stock. Use meetings to foster relationships with local producers, get advice and learn about local events. Note that the love and interest in local food and collaborations does not exist in neighbouring regions. | While the farm can be traced to the family for the past 200 years, the business side of the farm was established in 2008 (i.e. the catering side, tea room, farm shop and bakery) by the daughter of the current farmer. Had been a 30-year old dream of his to have a farm shop and tea room. | In the tea room over tea with the Commercial Director. |
| Caterers B1 and B2 | Caterer  | The catering business has two co-owners and founders. Family members help as needed. Hire temporary staff for events if required. Specialise in corporate catering, private functions and weddings. Occasional takeaway service offered. Cooking classes for parties if requested. Active in fairs and markets to sell prepared food and market their business. | Cooking takes place on the premises of venues primarily but can bring pre-prepared food if required (e.g. for smaller parties at houses). | In the region, they are the only authentic Indian catering business; some fusion restaurants do offer catering services that include Indian food as a side business. | Active engagement with SMFDG, attending most meetings and events. As a newer business, note that a sense of community that comes from the meetings. Would like more support or advice from SMFDG and the enterprise council about grants, legal issues and requirements/regulations for products and labelling. These courses were indeed offered, but prior to them starting up. The Food and Drink Awards does not have a category applicable to them as they have no product. | The business was founded by two long-time friends and former co-workers. When both parties were made redundant in 2014, it provided them the opportunity to start the business. | With both owners in the one of their living rooms over coffee. |
| Brewery Co-owner B | Brewery | Brewery was founded by two members. At the time of interview, both worked at the brewery and extra staff were not necessary. Currently, one of the founders has stopped working actively to tend to his other business, necessitating part-time hires. Supply local pubs and stockists and actively go to markets and fairs. Sell to walk-ins informally. | The brewery is located in a large unit of an industrial complex with two garage doors, with eight barrels in their beer making operation and one kit. There is a temperature controlled bottling and labelling room. | There are over thirty breweries in the region and more are opening often. Combined with the frequent pub closures the UK is experiencing, breweries are reaching market saturation. | Active engagement with SMFDG, finding it especially beneficial in the early stages for introductions to other brewers and to share knowledge with other new businesses. Now it helps them keep abreast of events going on and networking. Have engaged in training which they found very beneficial.  | Founded in late 2013 by two long-time friends with established successful careers. One a business owner, the other a director for a company at the time, they wanted a new challenge. Purchased the already established brewery, changed its name and recipes and opened. | At the brewery, amongst the barrels in at a table and chairs with the remaining active founder. |
| Fruit and Vegetable Box Supplier | Supplier | The company delivers fruit and vegetable boxes to a range of clients, homes, offices and mainly restaurants. A wide range of products are available in the boxes, not just fruit and veg (e.g. eggs and cheese) through local producers or national distributors. The sole owner of the company acts as managing director and employs four other part-time.  | The office is sub-let by the Bespoke Cake and Bake Company; it is very small and cramped with products and paperwork. Also rents a cold storage space in the village for the fruit and vegetables. | There are a several similar businesses in the region but his growth is steady. His unique selling point to restaurants is that if they forgot to order something from their wholesalers, they can call him and it can be delivered later that day or the next morning.  | Minimal engagement with SMFDG due to time constraints but has met a lot of people through them. Wants to engage smaller businesses to push their products to restaurants but fears he initially came across as wanting to sell, not stock, their products at SMFDG meetings. | Established in 2013, he had the idea and started in a house with his stepdad in the village. Began supplying Jeni’s café and renting her kitchen space. When her old staff room (his now office) came available he rented it. |  |
| Traditional English Piemaker | Producer | The company makes pies, scotch eggs and charcuterie (e.g. cured bacon) and jams for local pubs and cafes. The interviewee is the sole owner of the company and employee, with no interest in expanding further than he has, getting help from his wife when needed. Actively attends regular farmers’ markets. While his house is not available for walk-ins, can order online for collection or delivery from set menu. Also, does bespoke pies and larger orders for events. | Operates out of his home kitchen, having upgraded it with large ovens. Has small garden in the back of his house for produce. His wife also runs her reflexology office from the premises and he has a music studio in-house. | While there are several pie makers in the region, and as he is not in position where he needs to compete with them financially or has desire to expand, he is comfortably positioned in the market with his steady client base. | While he is strongly focused on local produce and support of other small producers, his engagement with SMFDG is minimal. Initially was resistant because it seemed unnecessary to him as it involves most of the people he already knew who makes food. Recognises its value overall. Also was nominated for new Artisan Local Savoury Product in the 2014 Food and Drink Awards, wherein he was placed next to him at his table, with the owner of Phipps and received business from them. | The owner made his original career as a musician, in a band but also doing supervision and composing for television shows. Now in retirement and collecting royalties and frustrated with a lack of quality English pies reminiscent of his childhood, decided to try to make them for himself and the business grew from there. Started trading in April 2013. | At his kitchen table drinking tea. |
| Goat’s Cheese Producers 1 and 2 | Goat’s Cheese Producers | Husband and wife co-founders, with two family partners. The company makes a variety of goats’ cheese, stocking several local shops in the region and neighbouring ones. Engaged with a local wholesaler and note the local manufacturers that use their products online (including Donna from Donna Lulu cooks). Employ students for work experience from the local college, and three part-time staff to help with goat milking, herding and events. Actively involved with local markets. Do small hampers for delivery or collection and the option to pick-up throughout the year. Actively engaged in giving educational talks about their cheese, selling at the talks as well.  | Operate and live on their farm. Have a large farm house that is also is a busy bed and breakfast. The goats are contained in a large open enclosure but there are fields of sheep up on entry to the farms as well. Milking parlour is of older technology across from the goats for their easy access to milking. The creamery where the cheese is made is from a one of a kind sustainable trailer with typical cheese making tools and refrigeration. | They are the only goats’ cheese maker in the region. Very specialist labour pool. | Actively involved with both SMFDG and the Food and Drink Awards. Reported making 100s of contacts through SMFDG and encourage other local businesses to join; joined for the network factor of it. Consider the organisation extremely valuable for the food and drink industry in the region. Won new local product of the year for one of their cheeses in 2015 and attended Awards in 2016 despite not being nominated. | After moving onto the farm in 2011, decided to buy three goats to help cut down their overgrown orchard as cows are too heavy to manage (they are older and retired). From there, grew a fondness for them and wanted to do more with them as they had time to do it. As the co-founder wife has previous milking experience with cows, they looked into options to use goats’ milk – ice cream and cheese – decided on cheese, took a cheese making course and bought 35 more goats. Built enclosure for them, cheesery and milking parlour and business grew from there. Started milking them in March 2014 and sold that July, housing more than 120 goats now. | At their home over coffee in the kitchen/ dining area. |
| Vineyard Owner | Vineyard (grapes only, wine made off site) | One founder who has actively planted the vines herself and picks and prunes them with the help of volunteer pickers, providing them with food. Has a boy who comes in for three hours Saturday to help her clean up and two men for four hours during the week. Her daughter does her social media and helps her get ready for wine tastings. Occasionally attends markets and fairs but her local emporium buys much of it and has exclusivity to it. Open Saturday afternoons, hosts events where requested. Has tastings and open days on occasion. She grows the grapes and sends them to be made into wine to a local maker; also, has a cider produced by Cider House owner interviewed. | Premises is located at their family homes. The founder lives in a smaller structure next to the vineyard and there is a larger house beside it for her daughter’s family. Large fields contain all the vines. Across from her house there is a shop set up converted from two stables that she sells out of on Saturday, with a concrete patio with a mismatched set of two tables and chairs. An idyllic place. | While English vineyards are increasing in numbers, it still represents a niche market. In her case, she is at capacity and her wine sells very well. | Medium engagement with SMFDG; has hosted a meeting at the vineyard and also goes to meetings where she can. Actively promotes local businesses and SMFDG itself, making sure directories go to her customers as well. Her cider was a finalist at the Food and Drink Awards but reckons the wine would not become one due to the dominance and preference for beer in the region. | No real motivation per se. After her children grew up and she had to only care for her husband, she needed more to do in her retirement. Started making planting the vines in 1999 to pass time after horses were gone as she had three acres of land without anything on it. Got her license and started trading in 2005 as she realised that she was making too much wine to drink it all; customer led from that point and the local emporium she stocks. | Sitting outside her shop at the table and chairs having tea. |
| Pub and Brewery Employees 1 and 2 | Pub and Brewery | The historical brewery and pub were revived in the 2000s over time (see motivations) with the aid of 20 investors and is ran by two head managing directors. Bought another brewery in 2013, so have two established brands now on the premises. The onsite director of the business is the owner of the purchased brand and assistant brewer. There is also a head brewer. There are part-time staff doing admin and sales job and also a full-time brewery manager. Bar-staff and kitchen staff are about 12 and vary. While they sell their beer on premises, also host beer festivals and Christmas fares on and off-site, attending some separate farmers’ as well. Are found in over 240 outlets nationally (e.g. pubs, restaurants, delis and farm shops). Recently expanded into making small amounts of gin and sell to farm shops and delis in the region. Can order beers and gin online from them directly. Also have a line of beers distributed by an international, corporate brewer. | The premises is a large old building comprised of two unique sides. On the left is a building that was formerly a two-storey building with a heavily slanted roof and the right is a three storey building that looks as if it were an old warehouse. Inside, both premises are connected. The warehouse has the offices, kitchen and storage space. The left if the pub and brewery itself. The first floor ceiling has been removed to open the space up totally. The standardly equipped brewery is in the back and clearly visible to customers through the bar to add to the experience. The brewery is very large as they are operating at 60 percent capacity anticipating growth so looks quite impressive. The restaurant itself has several draft taps, pub games and pools tables with a medium sized seating area of about 75 people. | While the brewery market is saturated, they are in a bit of a different position. While the pub was relatively new at the time of interview, it was already quite busy and selling their brands of beer. Profit margins are thus higher. Their wide national distribution and international lines also put them in a better market position than smaller breweries.  | Have met some valuable contacts through SMFDG at meetings but not actively involved. After winning Artisan Local Drink Award of the Year in 2014/2015, advertised immediately and saw a fast growth in sales. For the subsumed brewery, while they were still independent, won runner-up for Artisan Local Drink of the Year in the first Food and Drink Awards (2009/2010) then New Local Product for a different entry the following year. Saw tangible increase in sales after accolades. | It is worth explaining here the historical embeddedness of the brand for the region. Their beers had been brewed in the region from 1801 until 1968, started by a family of the same name. It continued on as a successful pub chain until 2004, when the company that owned of it disposed of them. The trademark name and logo was subsequently purchased in a management buyout by two brothers and the investors joined on. They began to re-launch the original beers slowly by 2008 (40 years later) using a brewer from a neighbouring region. By 2013, they had purchased the second local brewer brand, managing its brand within its premises, and by 2014 a restored brewery near the original location opened (the original was bought up by a larger brewery). Converted to a pub. The two new managing directors were motivated by the historical significance of the pub and brewery as a brand so were motivated to revive it; their brand “is” the regional capital to many. In the case of the brewer that has been subsumed, he started trading in 2002 and was the smallest licensed brewery in the UK. Had been a home brewer before but decided to trade after he and his were made redundant. When approached by Phipps, was keen to become part of their iconic brand and expand, so agreed. | With the brewery manager and the on-site director of the business in a small room behind the brewery where their gin still is. |
| Butcher and Deli Employee (family member). | Butcher, Bakery and Deli | They are a small family owned business. The father is a butcher, one of the daughters does the office work – everything from admin, invoices, wages, and social media – also helping out in the shop when needed. Her husband started working with her father to expand the business to catering and now they have large catering trailers for events across the country. Also employ a full-time shop manager with some part-time staff. Three people work baking. All meat products are made on the premises (e.g. pork pies and pastries). Don’t engage with farmers’ markets and festivals due to time and labour restrictions. | The premises is located in the original deli. Walking in there is a small shop floor with various products and a deli counter, and cold storage units showing their various cheeses and meats. Butchering the meats takes place behind the counters. To the left half there is a large kitchen where the baking occurs that has had the second floor removed to be open. Upstairs there is an open office space with two desks and filing cabinets. Outside there is a field containing their large catering trailers, large freezer units for meats and a barn (no live animals). | As with most small villages, does not have a great deal of competition in the village itself. There is one small farm shop that they trade with and get business from. At 90 years old, they are well established. | While they recognise the value of SMFDG and want to be more involved, time is an issue for the interviewee but her father signed them up in the beginning because it is local. Won Best Local Artisan Product in the Food and Drink Awards 2011/2012 and reported increased sales for one year after that. Also note that the Food and Drink Awards and SMFDG raise consumer awareness. Twice a finalist for Local Food Hero of the Year 2009/2010 and 2014/2015. | Starting off as a family owned farm in 1926, there was an abattoir and dairy farmers. The farm shop grew from there and is still there now. | With daughter in her office upstairs at her desk. |
| Cider House Owner | Cider House | They are a small business founded by one owner who does the apple pressing, while his wife deal with the financial side of things. While the first year they had six to seven people using two hand-presses and washing the apples for three weeks, new machinery allowed for only one person to come help at pressing time; this will likely change as he expands. Actively involved in markets and fairs. Stocks several local pubs and stockists and also neighbouring regions. Used to grow other crops regularly (e.g. wheat and rapeseed) but now spends 95 percent of the time on cider and their farmer does the others. | On the farm where he lives. On the premises is a medium sized bungalow with a garden out back where he keeps two pigs as pets. The farmland itself is massive and contains their orchards and regular crops. The Cider House itself is in a very large renovated old brick building with high ceilings, very open, with three large stills. Apple press machines are there the wash, press and pump the apples into them for processing. | In the neighbouring region he has only one close competitor and they get along well. There is another cider house in the region, making much smaller volumes with no intension of expanding. Very specialist labour pool, and also brands himself as the cider of the region for further identification. Expanding very quickly. | Involved with SMFDG before he started even making cider, as heard through another producer about them and called the CEO. When he first started selling, went to a meeting and did a presentation and testing. He notes presenting to small producers gave him confidence with his product to go ahead with it. Have met connections through SMFDG notably with the winery interviewed as he makes her cider. Notes the value of meeting people through SMFDG, noting that they have contributed to his quick expansion by accelerating the number of people he has been able to meet. Was a finalist for new local drink of the year at the Awards in 2014/2015. | After growing the other crops for about fifteen years, he started to find it too mundane. The straight forward process of growing the crops, seeing if they are good or bad and then getting a price from the merchants became repetitive; he wanted something more involved. He received a letter from someone asking him if he spare space to grow apples wherein they could be planted by and bought from him. Initially, thought that was what he would do with field that was not being used. Not long after changed his mind and decided to plant cider apples, or at least what he thought would make nice cider as he knew little about making it. Using a small inheritance he’d received, he planted his orchard in 2012 and started trading in 2013. | In his kitchen over coffee. |
| Butcher and Deli Owner | Deli and Butchers | The deli has a sole owner who is also the sole employee, resulting in long hours. While he used to rely on farmers’ markets for an income, he now does two regular ones a month. He has been curing and smoking meats and making salami and sausage for years and offers courses in this, as well as baking courses. His wife does catering events of his food and hosts supper clubs where requested. His mother helps out occasionally. | Located in small, long brick house on the edge of a village. The front of the house contains the deli counter to the left and various goods line the wall on the right. The back, which is visible to customers, contains two large industrial ovens for baking, a large refrigerator meats and butcher’s counter.  | He is the only farm shop in the village.  | He has no time to really engage with SMFDG as he is in his shop or at a market nearly every day of the week with long hours. But, he feels that the region is “blessed” to have SMFDG and local food and drink sector in general, as a network of small businesses to talk to on the same page (i.e. in support of local food movements). Notes that other regions do not have this in his experience.  | After failing to get planning permission in his village to open a shop, he and his wife got it where they are now and moved house. The shop opened 2013, with a focus on his passion for local and sustainable food producing. He has attended farmers’ markets actively with his products since 2009. Used to teach a practical qualification in his aforementioned meat specialties in Italy before he opened the shop so he could offer it here. | In the back of his deli where he butchers meat and prepares food while he worked and I stood at the prep counter with tea. |
| Co-op Employee 1 and 2 | Co- operative Shop | The employee structure is that of a traditional co-op, with between 10 to 12 members who are also employees. They have to work 32 hours a week, pay a pound for membership and the co-op pays their wages in turn. The remaining employees are part-time and they have about six volunteers. The co-op’s primary focus is good wholesome food but they sell a variety of products (e.g. health and beauty, cleaning). They focus on organic and local produce and sell other products that abide by Fairtrade principles, as well as making their own. Have an online shop as well. Participate in some food festivals. Also have demos and tastings in their shop. Give away a portion of their annual turnover to community projects and also others in need. Focus also on giving work to those who may not be able to find it elsewhere. | Located in a building that was formerly an old laundry of a hospital. Converted into a warehouse style shop with high ceilings. A portion of the building has retained a second floor for an open space office for members/ full time employees. The house has a large back section where they make their products (e.g. granola and flapjacks). | They are the only primarily food and drink co-operative in the region, representing a specialist labour pool. | They have been open for 35 years, so they do not benefit in the same ways as some smaller businesses. They use SMFDG as a way to keep abreast of what’s happening in the sector so they do not become too insular, risk stagnation as they fall out of touch with what their customers what. Recognise that some things they have learned as a business they would not have before and connect with businesses they might not have considered. Have invited some for demos and tastings.  | The co-op founded by a group of nine friends with the idea combining their Christian beliefs and values into a business environment, and another founder who already familiar with the co-operative model, all from the region. Started trading in 1980 and continue to try to live up to these ideals. | In the open office with the book keeper and human resources directors of the company. |
| Cafe and Bakery Employee | Café and Bakery | The café is a branch of a charitable trust, with a Board of Trustees that oversees various projects related to ex-offenders, youth and adult, to help them re-integrate into their communities. After attaining a grant from the National Lottery, the café opened as a trading entity for the charity to facilitate their overheads (e.g. staffing, rent) and has own board and payroll. Between both the charity and the café, there are 17 full-time employees: the two bakers, the café manager, community manager and the CEO of both organisations. Waiting and kitchen help at the café is made up of volunteer women offenders taking part in the charity’s 12- week program to reintegrate them to society; this includes training, mentoring and help finding a job. Three of the ladies have been hired part time for café work and one for admin. During the day, is a café and during the night when bakers come in to make bread for the café and their stockists. Also hold events and meetings as requested.  | The café, is located on the second floor of a large former shoe manufacturing building. The café is a very large bright open space with hardwood floors and high ceilings, comfortable couches and chairs to sit on and large service counters on the left-hand side with the kitchen and baking ovens behind it. At the back there are shelves stocked with local products for purchase. Very cozy, informal space overall. Adjoining the café are the charity staff offices and training areas and computer labs for the ex-offenders. | While there are several café in the city, the café as a social enterprise sets them apart. Their closest baking competitors are of different sizes and operating in different markets (i.e. one is very large and the other is very small, family owned) and are on friendly terms with both. | Actively involved with SMFDG and hosted a quarterly meeting on their premises within first six months of opening. This attracted businesses who had not been there that they wanted to make aware of them that they may trade/supply/stock. Perceive the SMFDG as being instrumental for marketing and vital for drawing their attention to all the local products they can source in the region. They received the Award for Local Food Hero for 2014/2015 and the next day saw had line-ups out the door and a steady increase in sales. Also, previous stockists that they had approached before joining MIN and winning the Award were more receptive to delivering products and accommodating.  | The café and bakery opened in June 2015. It represented a good business case for the charity to get the National lottery money and a way of offering work experience to re-offenders.While they were not initially aware of how strong the local food movement was in the region when they opened up, it was part of their business plan but they had not anticipated it being as important as it became. | With the Chief Executive of the trust and the café.  |
| Gin Distillery Co-owner | Gin Distillery | The distillery was founded by two friends; in the first year and a half, they did all the work themselves including making and bottling the gin. Nearly three years on, they now have ten full time members of staff in specific roles such as an office manager, head administration and accounts, marketing manager, an off-trade salesperson, and an on-trade salesperson. The co-founders are still very hands-on. They have extensive national distribution to high-end retailers, supermarkets, bars and restaurants as well as via online outlets, as well local stockist. On the premises they offer two tours/weekly for a nominal fee that includes a tour of their gardens, a tasting and discounted gin for purchase. | Located on one of the co-owner’s family farms, the premises consists of two converted structures. One for the still itself, where the gin is distilled using spring water from the farm, bottled and packaged in a separate area. There is a small office in the front of the structure. The still is in the back in a converted loft area with the ceilings taken out that also hosts the tastings at custom built bar. The adjacent converted cottage contains their open concept office space. | They are the first gin distillery in the region; while two others have opened since their conception in the region, they are much smaller operations. Nationally, there is increasing competition, but their rapid expansion has put them ahead of new entrants. | While engagement with SMFDG and the county is becoming more difficult as they expand. They are growing nationally and internationally and their focus must be shifted to that. They recognise that in the early days SMFDG have put them in the right places and introduced them to people where it would have been more difficult, however. Eventually thinks they will be able to engage in marketing and tastings in the country but also have a mind to give back. Have given talks and sit on panels and boards for the regions and attend meetings. Won New Local Drink of the Year in 2013/2014 but find it difficult to say if this benefitted them because they are expanding so quickly. | Both co-founders and also friends grew up on farm, one in England the other in Wales. After attending university together and working for companies, they decided to start a business on the farm in England with the idea of making at first essential oils, then considered spirits. Started planning their business in 2009, deciding on location, gins and securing funding. Produced first bottle late 2012. | In the small office in front of the still at his desk over coffee. |
| Farm Shop and Butcher Co-owner | Farm Shop and Butchers | The business is co-owned by a husband and wife team and focuses on ethical farming. She works a great deal in the shop and he does research into their farming operations (e.g. new products to use in the fields and animal feed techniques) and still works full-time elsewhere. They tend to the farm with the help of farm hands. There is a full-time butcher as well as an apprentice from the local college, as well as a part-time employee that comes in three days per week. The host 2.5 hour master classes in butchery of a lamb or a forequarter of beef, followed by a five course meal with wine for the students and their partners in their home. Also make and sell charcuterie to other local shops. Attend about three big markets a year. | The farm shop, farm and the owners’ house is all on the same premises. The farm. The own five acres and rent an additional 125, as well as some barns for the winter to put the animals in plus another piece of land. The husband grows some four red clovers and Lucerne grass. They have a silage to ensure the animals are purely pasture fed on site. In terms of animals, they run free in their fields and barns. Have about 100 pigs, some sheep, 140 ewes and 28 Highland cows. The shop itself is stocked with local products and has a meat and cheese counter. The butcher counter is behind these, with a freezer for the meats in the back. The shop has a large parking lot. | While there are other farm shops in the region, no one in the county is rearing their animals at their shop using pasture fed food if they have animals on site. The closest competitor is 1.5 miles away but is a much bigger commercial shop and is less ethical. Customers who are more so will buy from theirs. | Actively attend SMFDG meetings and attribute them as a catalyst for many of their collaborations and helping to grow the sector. They do not attend management training sessions due to their previous and current employment backgrounds and time issues. See the use in it though and plans to send an employee out in the new year to learn. Active participants in the Food and Drink Awards and won 2013/2014 runner up for Local Food Hero of the Year. While unsure if they lead to a sales increase, find it useful for branding. | Started out because it was always a dream of her husband to have a farm and they bought five acres of land, not knowing it would lead to a larger operation. Bought house in 2007 and opened the shop in 2010 when they realised they had to have a shop to sell all of their produce after buying 100 pigs within those years. Wife co-owner quit her job to manage the store and farm full-time. | At their kitchen table over coffee with the wife co-owner; husband partner came in briefly and said hello. |

**Appendix E: Coded Nvivo Nodes Explained**

 This appendix contains print screens and explanations of the initial coding process, followed by a more specific look on how each node was developed to illustrate each potential mechanism and sub-mechanism of value creation (i.e. collaboration, attitudes towards competition, industrial upgrading and/or expansion, and community identity and pride). Please refer to Chapter Four, section 4.8 Interview Coding Process and Participation Observation Data Use, as well. Note that in the initial process that the nodes identified were not initially named as such mechanisms, which were deemed more suitable for the study during the process of identifying them.

 To briefly explain the process further and recalling that nodes can also be considered as themes, within each node or sub-node, the researcher highlighted comments from each interview to reflect each node or sub-nodes based on the initial manual coding and further reading. These are then subsumed into one node. This allows for easier access to each related quote to the node and interviewee affiliated with it on an accessible print-out, as opposed to going through manual codes repeatedly, which was tremendously helpful during data analysis. Some nodes were subsequently not used in the study, as they contained less sources (i.e. the number of interviewees) and/or the number of times they were referenced by various sources was minimal. For further clarity of all screen shots, note the column on the second left represents the number of sources and to the right of that, the number of times each was mentioned in interviews.

**Screen Shot One: The Initial Nodes Identified**



 Here, the initial nodes that surfaced during the courses of coding are listed, as well as the number of sources they were drawn from (i.e. from the interviews) and referenced according to each specific heading. Note that the number of references reflects the specific topic listed only, not a reflection of the sub-nodes explained in the next sections as relevant to the study. Each mechanism and its sub-mechanism are now further explained.

**Potential Mechanism of Shared Value Creation One: Collaboration**

To reiterate, the potential value creation mechanism of collaboration contained the following sub-mechanisms, considered here in screen shots two and three:

* Collaborations and barriers and problems faced in collaborating;
* Engaged in knowledge sharing (e.g. spill-overs), secrecy or unwillingness to share knowledge as related to the mechanisms of knowledge spill-overs and transfers.

**Screen Shot Two: Successful Collaborations and Barriers or Problems Faced in Collaboration**

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Here, each type of collaboration discussed in Chapter Five’s analysis sections were coded here, renamed as collaborations as opposed to connections during the analysis. Educational connections were ultimately eliminated, as they were superfluous comments and not necessarily related to the study. Please note that the “zero” number of references in the main node ‘Connections’ indicates that they are enveloped in the sources and references of the sub-nodes that list all other types of connections. Problems with Connections was renamed problems or barriers faced to collaborations in the study more aptly.

**Screen Shot Three: Knowledge Sharing**

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This node, titled Engaged in Knowledge Sharing (re-titled knowledge sharing in Chapter Five), reflects the two sub-sections of knowledge sharing in Chapter Five’s nalysis, related to positive incidents of knowledge sharing and secrecy or unwillingness to share knowledge. Note that ‘Knowledge not available in the cluster’ has only one reference from one source, thus it was deemed not consequential to the collaborations as it was too small a sample to mention. The same is true for the ‘No need to share node’ as it was minimal in the sample overall.

**Potential Mechanism of Shared Value Creation Two: Attitudes towards Competition**

 To reiterate, the potential value creation mechanism of attitudes towards competition contained the following sub-mechanisms and was named as such to reflect the blanket subsections. Considered here in screen shots four, five and six:

* Competition, co-operative competition or neutrality towards competition;
* Threatened by, embraces or neutral to new entrants;
* Specialist labour pools or market saturation.

**Screen Shots Four, Five and Six:**

Four: Competition, co-operative competition or neutrality towards competition

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Five: Threatened by, embraces or neutral to new entrants

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Six: Specialist labour pools or market saturation

****

These nodes are straight-forward, as the same terms were used in Chapter Five’s analysis, with the exception that ‘Incidents related to Competition’ in screen shot four’s main node. It was renamed attitudes towards competition to subsume all three screens into it as the potential mechanism of shared value creation.

**Potential Mechanism of Shared Value Creation Three: Community Identity and Pride**

To reiterate, the potential mechanism of value creation, community identity and pride, contained the following sub-mechanisms and was named as such to reflect its blanketed sub-sections. Considered here in screen shots seven and eight:

* Pride in their community and region or separation from the communities in which they operate;
* Strong support of using local produce in the operation, supporting only where they able or not part of their business agenda.

**Screen Shot Seven: Community Identity and Pride**



 In relationship to having pride in the communities in which they operate, note the highest number of sources and references come from the overarching nodes of Community Identity and Pride in [region name blocked to retain confidentiality], , Community Support and the sub-node of Customer Pride in [region name blocked to retain confidentiality]. This further strengthened the CLSV framework that social value creation can indirectly lead to economic value creation.

**Screen Shot Eight: Staunch Support of Local Produce**

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As above, this sub-mechanism of value creation related to community identity and pride reflects that most interviewees responded positively to supporting local produce, over it not being on the agenda overall for SME participants, in support of the CLSV framework.

**Potential Mechanism of Shared Value Creation Four: Industrial Upgrading and/ or** **Business Expansion**

To reiterate, the potential value creation mechanism of industrial upgrading and/or business expansion. Shown here in screen shot nine:

* Engaged in industrial upgrading and/or business expansion, at capacity, have no desire to expand or experiencing barriers to expansion.

**Screen Shot Nine: Industrial Upgrading and/or Business Expansion**



All nodes listed in the screen shot above reflect terminology used within Chapter Five’s analysis and the mechanism itself. Notably, engagement with and barriers to industrial expansion and/or business expansion have the most sources and references associated the mechanism, hence representing an unexpected emerging mechanism through inductive processes during analysis for this study.

1. Please note that regional statistics for employment in the overall food and drink sector, and other industries that are regionally successful, are omitted in this section for confidentiality and anonymity purposes. [↑](#footnote-ref-1)
2. Please note that while there are other similar related concepts to subjectivism based on how social realities are perceived in the literature that (e.g. constructionalism and constructivism), to avoid confusion in this study the researcher has chosen to use the term subjectivism, as it is close to her own personal philosophical views. [↑](#footnote-ref-2)
3. Note that the term “collaborations” is a blanket term used to describe exchanges (e.g. of goods or knowledge), collaborative efforts between members and transactions, as an avenue to create shared economic and social value. [↑](#footnote-ref-3)