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Integrating Corporate Social Responsibility into Corporate Strategy: The Role of Formal Tools

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Abstract: This paper contributes to the literature debate on the role that formal tools used in the management of CSR activities can play in the integration of CSR into corporate strategy. In particular, the purpose of this research is two-fold: firstly, to investigate if a high degree of formalisation of CSR activities is needed to reach a high degree of integration of CSR into corporate strategy; secondly, to understand what roles CSR formal tools play in this integration process. In order to answer these research questions, eleven case studies of large multinational companies operating in Italy were developed. The results of the empirical analysis show that a high degree of integration is often coupled with intensive use of formalization, with some interesting exceptions. This result can be explained by the active role that almost all CSR formalisation elements play in the integration process of CSR in the overall corporate strategy.

Keywords: corporate social responsibility (CSR) strategy; sustainability management; CSR formalisation; corporate strategy; CSR integration

1. Introduction

In recent years scholars have proposed different frameworks for integrating CSR into the overall business and corporate strategy [1–3]. At the same time, there has been a growing interest on the formalisation of CSR and on related instruments and organisational tools [4,5]. Anyway, what still remains unclear is the role that these formal tools play in the integration of CSR into a firm business strategy. There is a quite substantial body of literature that focuses on the role of formalisation in strategic decision making and the execution of strategy [6–8]. It is quite acknowledged that strategic decision processes are affected (both positively and negatively) by a high degree of formalisation of activities. Similar contrasting results seem to emerge from previous studies on this topic. Indeed, according to some authors, CSR formal tools and systems (like the introduction of policies and procedures, of social/sustainability reporting or the adoption of certified management systems) facilitates the integration process [1,9]. However, these formal tools have also been criticised due to their doubtful effectiveness [10] for having just a 'cosmetic' function [1,11], or for even reducing a company's overall efficiency, since in most cases, their only 'tangible' effect is to increase the bureaucratic workload, and then, administrative costs [12].

Therefore, the main purpose of this work is to investigate more on the role of formal tools in the process of integration of CSR into a company's overall corporate strategy, in the light of existing theory and building on the results of previous studies. In particular, the study aims at answering to the following two research questions:

- Are formal elements of CSR management really needed to reach a high level of integration of CSR into the overall firm strategy?
- What is the role played by formalisation tools in the integration process?

In order to answer to these questions, a two-stage empirical investigation was conducted on a sample of eleven large companies belonging to different sectors. In particular,

the first phase was aimed at measuring (i) the degree of formalisation of CSR management (i.e., the intensity of use of formal tools), and (ii) the degree of integration of CSR into overall corporate strategy, according to a reference framework. The purpose was to find out whether companies showing a high degree of strategic integration were also characterised by a high degree of formalisation or not, and to find possible explanatory variables for the positioning of companies in the different quadrants of the matrix obtained by combining the two dimensions. In the second part of the empirical analysis the role of formal tools in the CSR integration process was investigated through a dedicated set of questions. The results gained in this research work contribute to the academic debate on the role that formal tools play in the integration of CSR into a firm overall corporate strategy, and in particular on the way in which these tools should be used in order to be really effective, and not just a response to pressures coming from stakeholders (and, more in general, to the need to institutionalise CSR activities within the company) [13–19].

The paper is structured as follows: the next section is devoted to the literature review. This is followed by a section concerning the methodology (which includes both the illustration of the reference framework and the description of the main features of the empirical research). Then in the following section, the main results of the empirical analysis are illustrated. The final section is devoted to the discussion of the main findings in the light of existing theory, and it includes some considerations about the limitations of the study and some suggestions about future research on this topic.

2. Literature Review

According to some scholars, the commitment to CSR by companies is a response to pressures from external stakeholders [13–15]. This perspective is consistent with the institutional theory: according to this theory, in order to survive, organisations must obtain legitimacy by conforming to the expectations of the external environment [16–19]. Institutional structures and political legacies may explain the decisions made by companies concerning what CSR initiatives to undertake, thus representing one of the main drivers of CSR strategy [20–22].

However, companies can not only engage in CSR activities to passively accomplish the requests of the institutional environment in order to achieve legitimation: they may also adopt a more 'proactive' approach, using CSR as a source of competitive advantage [1,23–27].

Many frameworks have been proposed for the integration of CSR into the overall corporate strategy [3,28,29]. When dealing with strategy formulation and execution, a key role is played by organisational issues. The reciprocal link between strategy and structure has been largely debated in literature starting from the seminal work by Chandler [30]. In particular, there is a widespread agreement that organisational structure can affect strategy through its direct effect on strategic decision-making processes and on the execution of strategy [6–8,31]. Indeed, the structural dimensions of centralisation of authority, formalisation and complexity have all been found to influence decision making [32]. Formalisation, in particular, refers to the extent to which policies and procedures, codes of conduct, job descriptions, organisation charts, plans are articulated explicitly, as well as to the use of 'structured' management systems [33].

However, the role played by formalisation tools in the CSR integration process is still quite an unexplored issue. Contributions on this peculiar issue are quite scarce and often contradictory. For example, a study on an Italian 'family business' shows that the formalisation of CSR activities represented a key step in the integration process of CSR into the overall strategic planning process [9]. Another research analysis is on the role played by some governance tools in the design and implementation of a CSR-integrated strategic plan. In particular, what emerges is the importance of translating values, vision or policy statements into commitments, expectations and guiding principles (like code of ethics or code of business conduct). In addition, the identification of performance measures and corresponding target values seems to emerge as another important element. As for

the organisational tools, the development of a 'CSR-enabling structure' (in the form of a committee or of a dedicated unit) is considered as a key success factor [34]. According to the results of this study, formalised management and organisational tools seem to be a necessary pre-requirement to obtain an integration of CSR into core business strategy.

Instead, other researchers seem to be more sceptical about the usefulness of these formal tools. For example, according to Fassin 'the increasing formalisation of CSR represents an evolution towards a logic of compliance and standardization intended for external analysis rather than an internal tool for management' [35].

Similar considerations can be made with regard to social/environmental certifications: some studies showed that the certification process led to a great enhancement in terms of awareness about the strategic implications of environmental issues throughout the organisation, with positive impacts on organisational and financial performances [36,37]. However, other researchers came to radically different conclusions: according to the results of their studies, certifications are often perceived as a waste of time and money, since they do not lead to any tangible benefit [9].

Similarly, the relevance of sustainability reporting, not only as a communication tool, but also for the systematisation and the identification of new strategic opportunities has been underlined by different authors [38,39]. However, social/sustainability reports have been often criticised for their limited managerial usefulness, since they are too often purely 'communication-driven' [40]. The consequence is that social/sustainability reports that have been awarded for their completeness and overall quality also do not prove that social and environmental concerns have been really 'embedded' into corporate strategy and business decisions [10]. Similarly, the effectiveness of code of ethics is often questioned: for example, analysing the behaviour of 119 US companies, Cressey and more prove that 'the codes have neither relieved organizational pressures to be unethical nor convinced opinion leaders that corporations have become more socially responsible in recent years' [41].

It is then the important to shed more light on the role played by CSR formal managerial tools in the integration of CSR into the overall corporate strategy. The objective of this work is to analyse more thoroughly the link between these two dimensions: the degree of formalisation of CSR activities and its strategic integration. More specifically, we tried to answer to the following research questions:

- Are formal elements of CSR management really needed to reach a high level of integration of CSR into the overall firm strategy? Is it possible integrate CSR into the overall corporate strategy without a highly formalised CSR governance system?
- What is the role played by formalisation tools in the integration process?

3. Methods

3.1. Research Design

The research has been designed and conducted according to the workflow illustrated in Figure 1.

Given the research objectives, a necessary preliminary step consisted in defining a measurement scale to assess both the degree of formalisation of CSR and its degree of integration into the overall corporate strategy. Then, we proceeded to the identification of the sample of companies for the empirical analysis, which consisted in the development of a set of case studies and was conducted through a double round of interviews. The information gathered in the field study was then analysed to try to answer to the research questions. All these steps will be illustrated more thoroughly in the following paragraphs.

3.2. The Degree of CSR Formalisation

The formalisation of CSR activities can be accomplished through the adoption of organisational solutions, procedures and tools. A first important step consists in the inclusion of social responsibility related issues in the company mission statement, and the adoption of codes of ethics, codes of conducts, value statements and policies [9,42].

A second element consists in the attribution of formal responsibilities for CSR-related activities, and in the set-up of a dedicated CSR organisational unit or department [34,43,44].
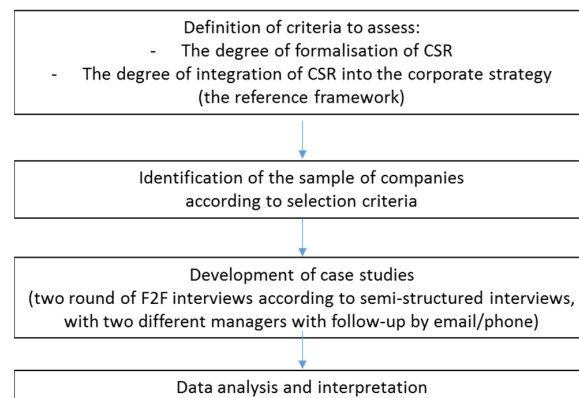

Figure 1. The workflow of the empirical research.

Additionally, the existence and quality of CSR accountability and reporting is an important proxy of the extent to what CSR activities are structured and formalised within a business organisation [9,40,45]. Elements as the periodic issue of a social (or sustainability) report, its compliance to international social/sustainability reporting standards (such as GRI or similar) and the certification by third-part independent auditors to testify a different degree of maturity of a CSR management system.

Another parameter, which is often used to assess the degree of formalisation of CSR, is the number of international social/environmental certifications held by the company: the most relevant certifications are ISO14001 and EMAS for environmental management, ISO26000 for CSR and SA8000 for HR-labour rights related issues [36,37,46,47].

Finally, according to some authors the presence (and the ranking) in the most important ethical rankings (such as the Dow Jones Sustainability Index or the FTSE4Good Index), and the affiliation/membership to other national/international CSR associations or institutions (as the UN Global Compact or the World Business Council for Sustainable Development) represent other important elements of a structured CSR management system [48,49].

3.3. The Degree of Integration of CSR into Business Strategy

Four main elements were identified to assess the level of integration of CSR into a firm business strategy.

The first one deals with the 'centrality' of CSR initiatives, i.e., the extent to which they are linked to the company's core business [15,50]. To assess this dimension, we referred to the classification proposed by Porter and Kramer [1]. According to these authors, CSR initiatives can be divided into three categories, which are characterised by an increasing level of proximity to the core business: (i) they can address some generic social issues (e.g., philanthropic sponsorships or donations to NGOs) with poor or no link with the business activities; (ii) they can be aimed at reducing the negative impacts of its value chain activities; (iii) they can act upon and improve the key success factors of its competitive context.

The second issue that identifies a strategically 'integrated' CSR refers to the identification of explicit and measurable objectives for each CSR area, which should be included in the set of strategic goals of the company [44,51]. The strategic relevance of CSR issues is even more evident if one or more CSR-related performance indicators are included in top management 'MBOs' (i.e., their bonus system), so that part of the variable compensation of top executives is subject to the achievement of CSR target objectives [52]. According to this approach, the analysed companies were given a medium score on integration if CSR goals were expressed through explicit and assessable targets and a high score if at least one of these performance targets were also included in the management's compensation system.

A further element used to integrate CSR into strategy consists in stakeholders' engagement, which includes identifying the most relevant stakeholders, establishing an effective dialogue with them, and proactively responding to their requests and involving them into business decisions [24,34,53]. Thus, the presence (and the quality) of a stakeholders' engagement system is the third factor we took into account to assess the degree of integration of CSR into a firm's strategy in the analysed sample. The lowest score was attributed to companies that had no stakeholders' engagement system in place. Companies using traditional tools (such as toll-free numbers or periodic 'stakeholders' satisfaction' surveys) were attributed an intermediate score, while a high score was attributed to companies that set up innovative ways to actively involve stakeholders in the company's decisions concerning CSR future programs.

Finally, companies that integrate CSR in their strategy often establish long-term collaborations with non-profit organisations that go beyond donations or philanthropy [54–57]. In these long-term partnerships, the company and the non-profit organisation (NPO hereinafter) co-operate in developing projects with common strategic goals [58]. With respect to this criterion of evaluation, a high score was given to those companies where long-term strategic partnerships prevailed on spot donation or sporadic collaborations with NPOs.

Table 1 summarises the criteria used to define the two dimensions of the analysis. The overall value (the degree of formalisation) was calculated by looking at the number and the kind of different tools adopted (since some of them—like the existence of a formalised CSR department—were judged more relevant than others).

Table 1. The set of criteria used to define the degree of CSR formalisation and of integration into corporate strategy.

	Criteria	Description	Main Authors
INTEGRATION	Centrality	Nearness of CSR initiatives with the core business of the firm	Burke and Logsdon [50] Husted and Allen [15] Porter and Kramer [1]
	Strategic relevance of CSR objectives	Explicit and assessable CSR objectives, included in management's incentive and compensation systems	Lantos [51]; Werther and Chandler [52]; Maon et al. [44]
	Stakeholder involvement	Creation of ad hoc innovative tools for stakeholder dialogue and involvement	Maon et al. [44], Porter [24], Maon et al. [53]
	Partnership with the non-profit sector	Establishment of long-term, strategic partnerships with NGOs, foundations, civil society organisations, etc.	Seitanidi and Ryan [54]; Kourula and Halme [56] Seitanidi and Crane [55]
FORMALISATION	CSR unit	Existence of a committee or a permanent organisational unit responsible of CSR activities	Graafland et al. [43] Maon et al. [44] Maon et al. [34]
	Codes of ethics/ Codes of conducts	Drafting of code of conducts/codes of ethics/principle statements that formalise CSR values	Perrini and Minoja [9]
	Certifications	Number of international social/environmental certifications obtained by the company	McAdam and Leonard [46]; Castka et al. [47]; Waddock and Bodwell [2]; Russo and Tencati [5]
	Reporting	Publication of a social (or sustainability) report drafted accordingly to international (e.g., Global Reporting Initiative) or national (e.g., GBS in Italy) standards	Gond and Herrbach [45]; Perrini and Tencati [40]; Perrini and Minoja [9]
	Ethical ratings	The fact of being ranked on main ethical rankings (such as the Dow Jones Sustainability Index or the FTSE4 Good Index)	Dunfee [48]; Fowler and Hope [49]

By combining the two dimensions (degree of formalisation and degree of integration), it was possible to build the matrix shown in Figure 2. This framework was then used to map the analysed companies according to the results of the empirical analysis.
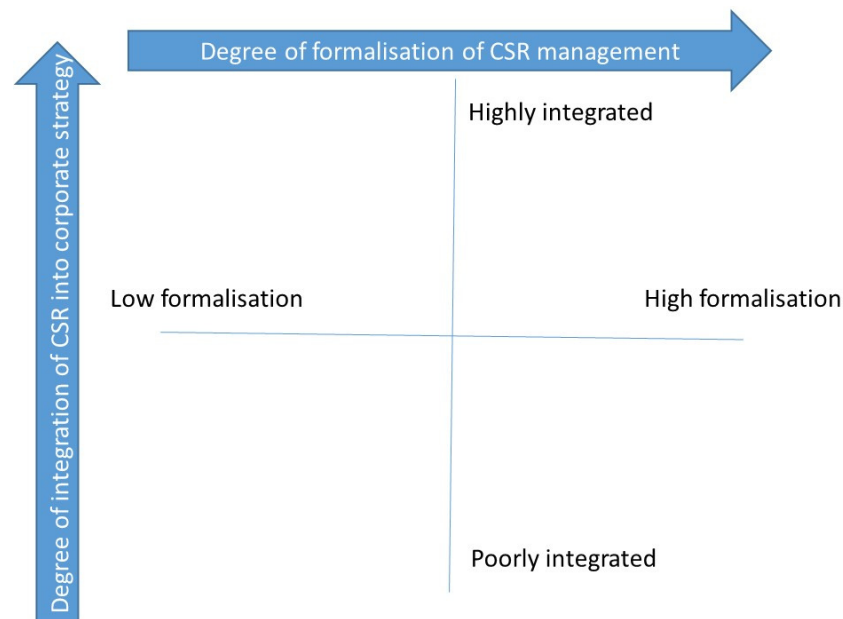

Figure 2. The reference framework.

3.4. The Field Study

The case study methodology was considered the most appropriate approach to answer to the two research questions. Indeed, case studies allow us to study an empirical situation in its real-life context, and to capture the interactions between contextual dynamics as external (outside the organisation) and internal. Furthermore, through this methodology, it is possible to capture perceptions and behaviours, in contrast to the artificiality of lab experiments and the oversimplification of surveys [59]. In particular, given the objectives of this research, it was very important to understand the real motivations underlying the decision to formalise (or not to formalise) CSR activities, and the dynamics of the process of integration of CSR into overall corporate strategy. Moreover, in order to respond to our research questions, it was important to understand what kind of links exist between these two dimensions (formalisation and integration). Hence, the case study methodology appeared to be the best choice, since its higher flexibility and the possibility to use appropriate data-collection methods allow researchers to find new elements and deepen the analysis on the basis of the first findings (as in the case of multiple rounds of interviews with managers according to theoretical sampling approach) [60].

Of course, given the purposes of the research, we used a multiple-case design, as it allows the analysis of similarities and differences across different cases, which proved to be essential to identify the peculiar features of each CSR approach, with respect to the role of formalisation [59].

We focused on large companies because large organisations are usually characterised by a quite massive use of formalisation and by a more extensive used of management systems, due to their higher organisational complexity. We selected only companies with headquarters based in Italy, as it was easier to get in touch and conduct multi-stage, face-to-face interviews with their top management.

We identified a set of 15 target companies, belonging to different sectors. After the first interview, we decided to discard four companies since it turned out to be difficult to gather enough information and reach a sufficient level of detail in the analysis due to time constraints and the impossibility to get in touch with other managers to be interviewed. So, the final sample consisted of 11 companies: the main descriptive variables of these

companies are summarised in Table 2. For confidentiality purposes, they are identified by letters (instead of their real names).

Table 2. The set of interviewed companies.

Company	Sector	Employees
A	Food and retail	67,000
B	Manufacturing	6300
C	Energy	82,000
D	Utilities	76,000
E	Food	17,000
F	Healthcare	10,000
G	Utilities	6400
H	Construction	21,000
I	Banking	108,300
J	Telecommunications	77,800
K	Banking	170,000

The main information sources for the investigation have been both face-to-face interviews and archival data: the use of different sources allowed the triangulation of information, which is important not only to increase the credibility of results, but also to reach a higher depth of the analysis [60–62].

We firstly gathered information from the companies' sustainability reports. This gave us an initial idea of their approach to CSR, of the formal tools they adopted and of the main CSR initiatives they had carried out/were carrying out. This also helped us to prepare the set of questions for the interviews more accurately. For the interviews, we addressed primarily the head of the CSR unit (or equivalent). Each interview lasted between one and two hours (on average) and was recorded (with a couple of exceptions) and transcribed. In eight cases, a second round of interviews followed (with the same person or with other managers—typically the Head of Strategic Planning or Corporate Strategy, or Head of Business Units/Divisions) to deepen some specific issues that emerged in the first round (according to theoretical sampling). We collected a total amount of about 80 h of interviews. All interviews were followed up via email and/or phone calls to fill in gaps, clarify doubts. All transcripts were sent to interviewed people to be validated. Other primary sources of information (such as annual reports, corporate websites and internal documentation about organisational structure and procedures, strategic plans, etc., where available) were used. Finally, we used other (secondary) sources (press news, stakeholders' websites, etc.) to validate information gathered from interviews and from the official documentation published by each company.

Data analysis was carried out in parallel with data collection. The first step consisted in the development of case studies. In each company, we investigated the criteria that define their level of integration and formalisation of CSR, according to the criteria illustrated in the section on methodology. We assessed the companies with respect to the two dimensions, and we positioned them in the two-by-two matrix of Figure 2. The second phase of data analysis consisted in a cross-case analysis aimed at finding 'within-group similarities coupled with inter-group differences' [60] (p. 540), particularly in relation to the different roles that these companies attribute to CSR formal tools.

4. Results

The following section summarises the results emerging from the empirical analysis. We evaluated the level of integration of CSR into corporate strategy and the level of formalisation of companies using the evaluation criteria illustrated in the previous section. The following Tables 3 and 4 summarise the scores achieved by each company, with regard, respectively, to the level of formalisation and the degree of integration of CSR into corporate strategy.

Table 3. The level of integration of CSR into corporate strategy.

Company	Level of Integration into Business Strategy				
	Centrality of CSR	**CSR Objectives**	**Stakeholder Engagement**	**Partnerships with NPOs**	**Overall Grade**
A	Mainly reduction of possible negative impacts	Not included in MBO	Traditional dialogue tools	Mainly sponsorships	**LOW**
B	Strengthening of the competitive position	Included in MBO	Traditional dialogue tools	Collaborative partnerships	**HIGH**
C	Strengthening of the competitive position	Included in MBO	Innovative involvement tools	Collaborative partnership	**HIGH**
D	Strengthening of the competitive position	Included in MBO	Innovative involvement tools	Collaborative partnership	**HIGH**
E	Strengthening of the competitive position	Included in MBO	Innovative involvement tools	Collaborative partnership	**HIGH**
F	Strengthening of the competitive position	Included in MBO	Innovative involvement tools	Collaborative partnership	**HIGH**
G	Strengthening of the competitive position	Included in MBO	Innovative involvement tools	Collaborative partnership	**HIGH**
H	Strengthening of the competitive position	Included in MBO	Innovative involvement tools	Mainly sponsorship	**HIGH**
I	Strengthening of the competitive position	Not included in MBO	Innovative involvement tools	Collaborative partnership	**HIGH**
J	Strengthening of the competitive position	Included in MBO	Traditional dialogue tools	Collaborative partnership	**HIGH**
K	Mainly reduction of possible negative impacts	Not included in MBO	Innovative involvement tools	Mainly sponsorships	**LOW**

Table 4. The level of formalisation of CSR activities.

Company	Level of Formalisation				
	CSR Department	**Ethical Code/Code of Conduct**	**Certifications**	**Sustainability Report**	**Ethical Ratings**	**Overall Grade**
A	Yes	Yes	Environmental Health and safety Social responsibility	Yes GRI compliant Certified	No	**HIGH**
B	No	Yes	None	No	No	**LOW**
C	Yes	Yes	Environmental Health and safety	Yes GRI compliant Certified	Yes	**HIGH**
D	Yes	Yes	Environmental Health and safety	Yes GRI compliant Certified	Yes	**HIGH**
E	No	Yes	None	No	No	**LOW**
F	No	Yes	None	Yes Not GRI compliant	No	**LOW**
G	Yes	Yes	Environmental Health and safety	Yes GRI compliant Certified	No	**HIGH**
H	Yes	Yes	Environmental Social responsibility	Yes Not GRI compliant	Yes	**HIGH**
I	Yes	Yes	Environmental	Yes GRI compliant Certified	Yes	**HIGH**
J	Yes	Yes	Environmental Health and safety	Yes GRI compliant Certified	Yes	**HIGH**
K	Yes	Yes	Environmental	Yes GRI compliant Certified	Yes	**HIGH**

In particular, eight out of the eleven companies showed a high level of formalisation of CSR activities: in six of these eight companies, all the formalisation elements were in place, while in the other two, only the presence in the main ethical ratings was missing.

With regard to the other dimension, nine companies were characterised by a high degree of integration: in all these companies, CSR was considered as a mean to increase the competitiveness of a firm through the improvement of one or more key success factors. In addition, in eight of these nine companies the so-called 'MBO' (i.e., the bonus system for top management) included at least one performance indicator related to CSR (as, for example, the reduction of the overall environmental footprint of the firm). Moreover, in seven cases, companies had developed some advanced approaches for stakeholders' engagement in the different phases of the CSR management cycle, and all but one used to collaborate systematically with non-profit organisations.

4.1. The Relation between Integration and Formalisation

Figure 3 shows the positioning of the analysed companies in the formalisation/integration matrix, according to the scores obtained by each company on the two dimensions, as reported in Tables 3 and 4:
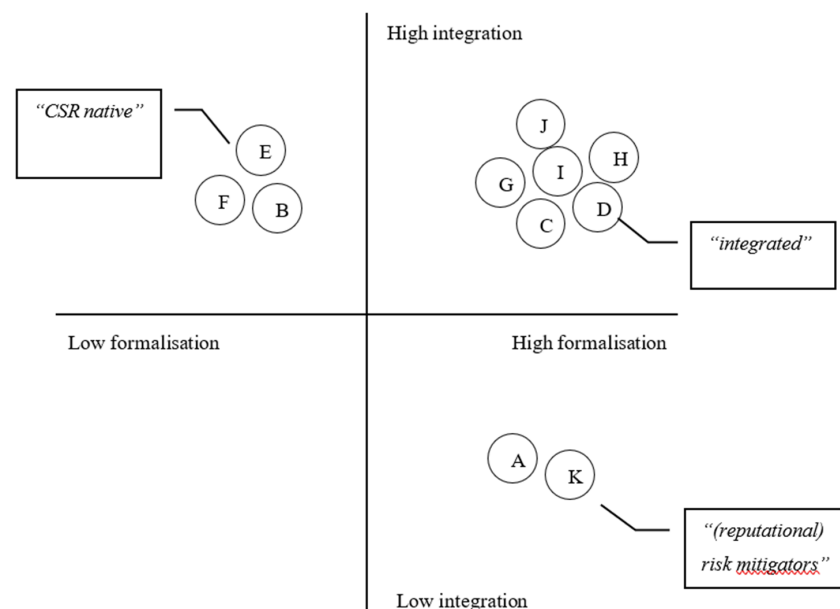

Figure 3. The positioning of companies in the integration/formalisation matrix.

The results shown in Figure 3 provide a first answer to the first research question: it is quite evident that the majority of the sample of analysed companies (six out of eleven) is characterised both by a high degree of formalisation of CSR activities and by a high degree of integration of CSR into the overall corporate strategy. However, there are some exceptions that are worth being investigated more in-depth.

In particular, starting from companies characterised by a high level of integration of CSR into business strategy with a low level of formalisation (B, E and F), what emerges is that in all cases some 'soft' elements seem to explain this prevalence of integration over formalisation, as will be illustrated more thoroughly in the following.

B is a family-owned company. The founding family created this company more than sixty years ago with the mission to provide Italian families (and particularly women) with quality but affordable household appliances. The willingness to respond to market requests pushed the company to base its business strategy on environmentally sustainable products which should be sold at a lower price than those of competitors (which were built using traditional—not environmentally friendly—technologies). In order to be able to successfully pursue product quality, environmental sustainability and efficiency at the

same time, the firm always relied on the excellence of its human resources. Particular attention was given to the retention of talents, an objective the company achieved posing great attention to work–life balance and to training activities (indeed, the company has an internal training centre—a corporate academy-dedicated to the specialisation of its technicians). This commitment towards the environment and the attention dedicated to employees is rooted in the history of the company, but the company only recently started to systematise and collect these efforts and initiatives under the 'CSR/sustainability' umbrella.

Similarly, company E has a business model which is 'intrinsically' socially responsible. In the 1990s, with the company fighting for survival, the management decided to undergo an impressive strategic turnaround by developing a new value proposition based on high quality and healthy products. The new strategy was supported by the specific ownership structure of the company: E is a co-operative, and its main suppliers (farmers who produce milk) are also the main shareholders of the co-operative. This peculiarity allows direct control of the supply chain, which, in turn, facilitated the success of the high-quality strategy of the firm: '*The high quality of our product is our main differentiating element (with respect to competitors): it is the fundamental pillar of our competitive strategy. At the same time, high-quality milk creates benefits for the consumers. In addition, the peculiar nature of the company facilitates the survival of small milk farmers, and fosters the development of strong relationships between the company and the territory in which it operates*' (CSR manager company E).

Lastly, company F operates in the homeopathic medicine market and its mission is '*to look after people and make them feel better*' (as reported in the company website). The company considers CSR as totally embedded in its core business: '*We do not 'do' CSR, we 'are' CSR. The interest of our stakeholders and the interests of our company are totally coincident*' (CSR top manager, company F). Indeed, the company adopts a socially responsible approach in all its business activities: it does not protect its innovations through patents, believing that knowledge and innovation can provide more benefits for the wider society (and public health in this case) if they are made freely available to everyone. It supports employee's charity work, and it develops products and processes in partnerships with non-profit organisations. Among the other projects, a new extraction process for natural oil (now used by a social co-operative in Ciad), which was developed in partnership with a local NGO, and the study on the therapeutic potential of medicines developed by African indigenous populations, in collaboration with an NGO operating in Cameroon.

Looking at these three cases it is quite evident that due to some firm-specific variables (the mission, the history, the founding values) CSR lies 'at the heart' of these companies, thus shaping their strategy and conduct without the need of formal tools, such as code of ethics or 'rigid' organisational structures and policies. Their commitment toward socio-environmental issues is 'embedded' in their DNA: for this reason, we named these firms as CSR native.

On the contrary, these companies are quite sceptical toward the extensive use of formal tools and of (marketing or 'image' oriented) external communication.

For example, in reference to social/sustainability, reporting company B Marketing Director stated: 'We prefer employees to stay close to our processes, to tangibly improve their efficiency and quality, rather than spend time in writing a report about it'. A similar view was expressed with regard to certifications: 'We are interested in the management system, not in the piece of paper' (Company B Marketing Director). More generally, 'consistently with the attitude of the founding family, this company is much more focused on essence than on appearance, and therefore we are much more committed to doing things rather than to communicating them' (Company B Marketing Director). Company E has recently decided to make a step back in its level of formalisation: it stopped issuing a sustainability report, and it has abandoned the SA8000 certification. The main justification provided by the company was the following: 'since the company do not believe in the value creation potential of these tools, these expenses were not classified as investments, but as discretionary operational expenses, and so they were cut during a cost-reduction oriented internal project' (company E Head of CSR). It must be underlined that these three

companies are smaller than the others of the sample and, even more importantly, they are not listed in any stock exchange.

Now, we will focus the attention on companies A and K, which are characterised by a high degree of formalisation of CSR activities, while the degree of strategic integration is quite poor.

Indeed, these companies are interested in having well-structured governance of CSR, mainly for image and communication purposes. What is worth noticing is that formal tools are used in a proactive way to avoid and/or manage reputational risks, as testified by the following examples. In company A, the CSR department is integrated with an Internal Audit function: '*The two functions have been merged into one department, so that data regarding CSR can be more easily verified and integrated in the risk management process*' (company A CSR manager). Moreover, some years ago the company started a structured risk mapping process. '*The first task was building a map of the Group's risks, by operating sector. The next step was to single out the risks specifically related to sustainability issues*' (company A sustainability report). Company K created a Reputational Risk Management Framework and built up a Reputational Risk Committee (RRC): '*The Corporate Sustainability Unit was established five years ago. The Group Identity and Communications Department manages the outside-in aspect of the Reputational Risk Management Framework through the Corporate Sustainability Unit, by evaluating the perspectives of all relevant stakeholders on specific reputational issues and the overall impact of these issues on the company's reputation.*' (Company K sustainability report). Due to the prevalence of a (reputational) risk management strategy related to CSR issues, we addressed these companies as (reputational) risk mitigators. Anyway, we must underline that these companies are still far from full comprehension of all the strategic implications of CSR and from full integration of CSR into risk management approaches (according to the Enterprise Risk Management frameworks). The only potential impacts included in the risk analysis process are those closely linked to reputation (i.e., reduction of potential costs deriving from a loss of reputation due to social responsibility 'failures').

Of course, Figure 3 represents a static picture (at a certain point in time). The positioning of a company may change across time. For example, 'CSR native' companies may decide to increase the degree of formalisation (even if it is not strictly required to elaborate and execute a CSR-driven strategy) to favour the consolidation of fundamental values and of the main pillars of their CSR-oriented approach, or for knowledge-management purposes [63]. Of course, the adoption of some tools will become more or less 'mandatory' if the company decides to become public (i.e., to be listed in a Stock Exchange), given the pressure by stakeholders. Similarly, "risk mitigators" may try to move to the upper quadrant, acting on the complementary factors of strategic integration and leveraging on formal tools to reach a higher level of maturity.

4.2. The Role of Formal Tools

This section summarises the results we obtained with respect to the second research question, which addressed the role played by formal tools in the integration of CSR into corporate strategy.

Consistently with the result of previous studies, all companies characterised by a formalised approach to CSR acknowledged the positive impact that formal tools can have on reputation [10,64–67]. As previously described, in companies showing a high level of formalisation CSR formal tools support the prevention and management of reputational, CSR-related risks. Moreover, in all highly formalised companies, CSR formal tools (particularly value statements and codes of ethics) also emerged as helpful instruments to support managers in building and internally promoting a shared culture of CSR, especially in countries with very different cultural backgrounds (a result in line with those obtained in previous studies by Marnburg and Stevens [67,68]). This empirical evidence has been summarised in the first two columns of Table 5: as it can easily be noticed, these benefits of CSR formal tools seem to be quite uncorrelated with the level of CSR strategic integration.

Table 5. The roles of formalisation tools in the CSR highly formalised companies.

Company	Level of Integration	Role of Formalisation		
		Diffusion of a Shared Culture	Risk Prevention and Management	Strategic Integration
A	Low	'Even if our ethical code has been implemented as a response to legal requirements, it has enabled the establishment of a culture based on the main pillars of legality, fairness and loyalty. We noticed that also our colleagues that do not believe in CSR refer back to the ethical code as a fundamental pillar of the company's philosophy'	'The two functions (CSR department and Internal audit) have been merged in the same department, so that data can be verified and we can reach a high level of transparency and risk management" "When ethical funds enter in our social capital they represent stable and durable investments. What we are looking for today is stability, also because of the financial crisis. Having ethical funds in our social capital would reduce the financial risk'	
C	High	'The Ethical code has been diffused at all the company's levels through specific communication tools and now we are working to diffuse our sustainability culture through the ethical code also in the new countries where we operate; for this reason several colleagues of the internal communication department have been sent there.'	'The implementation of management systems and their certification from external auditors represent an assurance for us that we are doing good and this reduces the risk to run into reputational problems'	'The sustainability report represents a different perspective for reading the financial report, where those items that in the financial report represent costs in the sustainability report are perceived as investments in intangibles' 'The CSR unit's aim is to increase the value of what other departments do and to underline the values they create from a different point of view than the economical one.'
D	High	'We are moving to new countries and the ethical code is supporting us in spreading there a shared culture based on sustainability. […] It also supported the process of cultural integration during the merger we underwent through in 2008'	'The ethical code represents an important effort in the perspective of anti-corruption, that is particularly relevant in those countries where the risk of corruption is higher' 'Certifications are useful as a control of the supply chain and as a prevention of risks is critical areas, that are numerous especially in certain countries where the company operates'	'Questionnaires from ethical rating agencies have been fundamental to understand where we had to improve. […] There are things that we do because we chose to, and others that we implement to stay in ethical ratings; employee engagement, for example, is something we started because a rating agency asked us to do it, but in the end this gave us great results in terms of productivity and employee motivation'

Table 5. *Cont.*

Company	Level of Integration	Role of Formalisation		
		Diffusion of a Shared Culture	**Risk Prevention and Management**	**Strategic Integration**
G	High	'The Ethical Code has the objective of directing the Group management according to the ethical values and to the behavioral principles defined in the value chart, with the aim of spreading a common way to conduct business in order to satisfy all the stakeholders' requests and to build a good reputation. The draft of the code has always been participatory in nature with the scope of defining norms and behaviors that are as much shared as possible'	'The first draft of the ethical code has been redacted after the analysis of the "ethically risky" areas, starting from the internal management systems, with the involvement of the Group responsible for stakeholder relations, and has been reviewed during two focus groups with employees.'	'The ethical code represents a way to help employees to find solutions to ethical dilemmas in their everyday working life' 'Certifications are fundamental governance tools useful for many reasons, such as the identification of critical areas, problems and corrective actions; the coordination between functions; the collection of inputs for the definition of investment plans; the monitoring of supplier performance'
H	High	'The logic behind our ethical code is that it should represent a tool on which we can build a sustainable vision of the group' 'Our sustainability report represents a managerial tool useful for internal communication in all the countries where the company has its branches'	'The ethical code is a guide for all employee behavior, particularly those operating in difficult countries, where the risk of corruption is higher' 'We are implementing a process of risk management where certifications represent useful tools for risk prevention. If they don't work as risk anticipation, but only as "labels" they are absolutely useless'	'A plant's ISO9000 is highly recognizable because data on efficiency and waste are immediately available; [. . .] plants certified as ISO14000 are more tidy and well managed; [. . .] we are working on the ISO16000 energy certification because the results in terms of energy saving are potentially astonishing' 'We adopted SA8000; in some plants we removed it, since we realized that it didn't lead to any change because the company already applied all the principles imposed by this standard and therefore it was only a bureaucratic effort' 'The main advantage of our sustainability reporting is that we have a good system for measuring and reporting and this enables us to control and decide better and faster'
I	High	'The process of defining the main values and principles to insert in the ethical code, and the redaction of the sustainability report helped to define a common path and to diffuse a shared culture after the recent merger'	'We operate in many risky countries in terms of risk of corruption; the best way to check if our ethical code is working is to measure the cases of corruption, and we do not have them' 'The adoption of policies (environmental and army policy, for example) has been pushed by the necessity to react to negative events that had threatened the reputation of the bank. These principle statements are a way to reduce our risks in these ethical issues'	'The CSR business unit is responsible for supporting the bank's management in integrating in the strategic objectives of the company those related to social and environmental issues; the drafting of the social report (and the quarterly social reporting) is the way through which the CSR managers communicate with the top managers if and how these objectives have been reached and what improvement need to be added to these goals' 'The inclusion in several sustainability indexes supports us in understanding what are the main areas where the bank should invest in order to use its business to improve social welfare'

Table 5. *Cont.*

Company	Level of Integration	Role of Formalisation		
		Diffusion of a Shared Culture	**Risk Prevention and Management**	**Strategic Integration**
J	High	'In order to create a commonly shared view of our company and to increase the involvement of employees, we developed several initiatives to spread the content of the value statement of the company. The results of this action has been monitored through the initiative "Group photo"'	'As we adopted standards, codes and reporting systems aimed at improving our transparency rating agencies consider us as more reliable and they include our company in the main ethical ratings'	'Every year, the questionnaires of rating agencies highlight our weaknesses. More or less every year 50 or 60 points arise from this process: we compare these points to the investment plan of the company to understand if they already respond to analysts requirements or if we have to add other investments'
K	Low		'The Corporate Sustainability Unit was established at the end of 2008. The Group Identity and Communications Department, through the newly set up Corporate Sustainability Unit, manages the outside-in aspect of the Reputational Risk Management Framework, evaluating the perspectives of all relevant stakeholders on specific reputational issues and the overall impact of these issues on the company's reputation.'	

However, if we focus our attention to the 'integrated companies' (i.e., companies C, D, G, H, I, J), what emerges is that formal tools are attributed a strategic role too, as reported in the third (and last) column of Table 5. Indeed, in these companies, formal tools help to set up a more structured approach to CSR and to systematically highlight the improvement areas, thus acting as catalysts of product and process innovation. In these companies, certifications are appreciated because of the numerous strategic benefits that can be gained thanks to the management systems that must be implemented to obtain the accreditation. For example, the Head of CSR of company G describes certifications as a '*fundamental governance tool*' which can be useful for many reasons, such as '*the identification of critical issues and corrective action, the coordination between function, the acquisition of inputs for the definition of investment plans and the monitoring of suppliers performances*'. The sustainability report also acquires a strategic role. For company C, for example, it provides a different lens to read financial statements: '*Take for example R&D expenses in renewables: in the financial report they are capitalised and depreciated, which means that they are considered as investments that are supposed to generate benefits (profits) in the future. In the sustainability report these R&D programs are attributed also an intangible value for their positive impact to climate change: this information helps stakeholders and shareholders to fully understand the strategic importance and the full potential value that can be created through this kind of investments*' (CSR manager company C). With respect to ethical ratings, companies D, H and J CSR managers underlined that they have an important benchmarking role, as they represent a way for the company to identify the critical CSR actions they need to take. '*There are a lot of things concerning CSR that we do because we decided to (on a voluntary basis), and others that we have to do to be compliant with some standard or as a response to rating agencies' pressures. But this, in turn, can lead to interesting organizational improvements. Take employees engagement, for example: it is something we started to think about because a rating agency asked us to do it, but in the end it delivered significant benefits in terms of employees productivity and motivation*' (Head of CSR company D).

The use of formal tools in these companies support the integration of CSR issues in day-by-day operations. They help them to develop a more structured approach to CSR and to systematically identify innovation opportunities that are able to generate competitive advantage and provide socio-economic benefits at the same time. The use they make of CSR formal tools is consistent with their overall CSR strategy. In these firms, the CSR approach fits the definition of 'CSR innovation' given by Halme and Laurila [69], which refers to the use of CSR drivers to develop new products, services and business models for solving social and environmental problems, as showed by the following examples.

Companies C and D, which operate in the utility and energy sector, moved ahead of their competitors into the new and fast-growing business of renewable energies by investing a high percentage of the R&D budget in the development of green technologies. For example, company C has set up a project called 'Environment and Innovation' and has invested more than 50% of its R&D expenses in programs related to renewable energies. Its CSR manager stated: '*We aim to become leaders in renewable energy production and, more in general, in low impact technologies. We know that environmental and social issues, market liberalization and the growing energy requirements of developing countries will very soon define the competitive framework in the energy sector*'. Company H also has a significant percentage of its R&D expenses dedicated to the development of innovative, environmentally sustainable and low-cost housing. Company I created a department called 'Bank and Society Laboratory', which operates in collaboration with the CSR department and develops new banking products for those segments of the society that struggle to access credit, such as non-profit organisations, immigrants, students or poor families. In Company J, CSR represents a relevant driver of product and service innovation. CSR managers contribute to the identification and development of products aimed at reducing the environmental impact of human activities (intelligent transport systems, digital inclusion solutions) and at solving some relevant social issues (telemedicine services for people working in remote

areas/underdeveloped countries, or the design of new products for disabled people, such as visually impaired and deaf people).

5. Conclusions

5.1. Summary of Results

The purpose of the present research was to contribute to the existing literature on strategic CSR on two specific issues: firstly, we intended to investigate if a company can reach a high level of CSR integration into corporate strategy without formalizing its CSR approach. Secondly, we aimed at understanding what is the role played by formalisation tools in this integration process.

With respect to the first research question, the main results are shown in Table 6. Comparing the two dimensions of formalisation and integration for the 11 companies of the sample, we found out that for the majority of them a high level of integration of CSR into business strategy corresponds to a high level of formalisation. This result is quite in line with those of some previous studies on this topic [5,28,32].

Table 6. Main findings concerning the first research question.

Main Findings	Comments
The majority of companies with a high degree of CSR integration in the overall company strategy are also characterised by a high degree of formalisation	Formalisation plays quite an important role in the integration process in many ways (depending on the nature of the formal tool)
A high degree of formalisation is not always needed to reach a high level of integration	In some cases, CSR can be naturally 'embedded' in the strategic thinking. This depends on context (firm-specific) factors
A high degree of formalisation does not automatically lead to a high strategic integration	Formal tools represent important drivers of CSR integration, but they are not sufficient if not coupled with 'soft' elements (as the value system is a diffused organisational culture)

However, our study shows that the use of formal tools is not an absolutely necessary requirement to reach a high level of integration, as proved by the subset of companies placed in the 'high integration/low formalisation' quadrant. These companies seem to be characterised by some peculiarities (in terms of mission, founding values, etc.) that favour a natural integration of CSR in the core business, even without the use of formalised approaches and mechanisms.

It is important to notice that these three companies are the only ones that are not listed on a stock exchange. This means that these companies are also exposed to lower pressures from stakeholders and they are not 'forced' to introduce formal elements if not strictly needed. A result that is consistent with the institutional theory [16,17].

Moreover, our research also shows that formal tools are not sufficient to reach a high level of integration, as proved by the risk mitigating companies. These companies seem to be in an early or intermediate stage of maturity in the management of CSR, in which formal tools and systems are used mainly for reputation purposes, but the potential of CSR for business purposes has not been fully exploited yet, consistently with what Porter and Kramer in their evolutionary model of CSR management call 'cosmetic approach' [1].

With regard to the second research question, what emerged from our study is that the highly integrated companies use formal tools in order to adopt a more structured approach to CSR and to find new opportunities for 'embedding' CSR into an overarching and holistic strategic view, as well as for continuous improvement purposes. Indeed, codes of ethics represent a real basis to drive employees' behaviours (and not just a formal document that the employee has to sign compulsorily together with the employment contract). Similarly, the need to issue a sustainability report on a regular basis, together with the drawing up of self-assessment documents for ethical ratings purposes represent a fundamental opportunity to systematically highlight the weakness areas, to identify new objectives and to plan activities accomplish those objectives. This process is supported by the implementation of complementary managerial tools for the different areas of CSR. Moreover, in this recurrent planning and control process, new opportunities of integration

between the CSR dominion and the core business(es) in which the company operates are more likely to be identified and exploited. In this sense, CSR activities can represent important drivers of innovation of company products, processes or organisation. The role of Head of the CSR unit (and of their team) is critical in developing and fostering this virtuous cycle.

5.2. Theoretical Contributions

In our view, these results represent an interesting and innovative contribution to existing literature. First of all, it highlights under which circumstances a (large) company may be able to reach a high level of integration of CSR into the overall corporate strategy, also without using some of the typical formal elements of CSR management. This result is partially in contrast with the majority of previous studies on this topic, which underlined the need for the adoption of formal procedures, policies and management systems as a pre-requirement to reach a real strategic integration [1,70,71]. Secondly, it deepens the analysis of the contribution that each CSR formalisation element can provide to the integration process (a topic that was quite unexplored in the literature on CSR). Third, the study also shows that the formalisation of CSR is not a sufficient condition to really 'embed' CSR in the overall corporate strategy. Other factors play a fundamental role in this journey, the most relevant being the diffusion of an organisational culture and a shared value system (starting from top management and controlling shareholders). Otherwise, companies run the risk of using these tools mainly for communication purposes, thus losing the opportunity to fully capture the full potential of CSR for strategy re-shaping and shared value creation [1,11,15,25].

5.3. Practical Implications

As for managerial implications, this study can help managers of large enterprises in understanding what are the key factors that can lead to the real integration of CSR in strategic decision-making processes at a corporate level. In particular, it can help companies in understanding the role played by the different formal elements of CSR management in the strategic integration process, thus increasing the effectiveness of the tools and reducing the time to reach a full integration. At the same time, it highlights the fundamental importance of other factors (such as the diffusion of a CSR-oriented culture and a shared vision about the relevance of CSR in the (re)definition of business and corporate strategy), which can be viewed as pre-requirements for an effective use of formal tools and system and, in general, for a full exploitation of the CSR strategic potential.

5.4. Limitations of the Study and Implications for Future Research

The main limitations of this study are due to the composition of the sample, in terms of industries and geographical extraction. With regard to the first point, some findings may depend on industry-specific factors, which may affect the effectiveness of some formalisation tools, or may favour (or hamper) the CSR strategic integration process (given the peculiarity of products/services, of customers and of underlying business models). As for the geographical extraction, the sample consisted just in Italian companies. Some of the results may be affected by country-specific factors. For example, there are studies highlighting the different emphasis put by companies on the use of formal tools for legitimation and reputation purposes, according to the part of the world in which they operate. For example, Matten and Moon showed that the US tends to make higher use of 'explicit' and highly formalised CSR strategies than European companies do [4].

These limitations open up opportunities for further research. The first follow-up on the present research could consist in replicating the study focusing on some selected industries, in order to understand if some industry-specific factors (as the kind and nature of relevant stakeholders, peculiarities of the business models, etc.) may affect the strategic relevance of the different formalisation tools. The sample of companies should include companies from different countries, in order to look for possible relevant geographical

factors. This could lead to the formulation of hypotheses, which could then be tested through a quantitative analysis.

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