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Strategic Corporate Social Responsibility: the Integration of CSR into Strategy through Innovation

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Summary

This thesis essentially presents three works, one for each chapter, whose common denominator is the focus on strategic Corporate Social Responsibility (CSR). The concept of strategic CSR refers to the possibility to generate socio-environmental benefits while at the same time contributing to the improvement of firms' competitiveness. The contemporary creation of shared value for the company and the society becomes possible if CSR is integrated in the company's strategy. In particular, if CSR commitment drives the innovation of the company's products or processes (generating the so-called CSR-driven innovations), this can result in the acquisition of new market areas or customers' segments, or in an improvement of the company's cost leadership or differentiation strategy.

Thus, the thesis aims to contribute to the literature debate on the integration of CSR into corporate strategy, with a focus on the role that innovation can play in this perspective. Starting from a review of existing literature two main gaps have been found: i) the role played by formal tools related to the implementation of CSR in fostering its integration into corporate strategy is controversial; ii) no research explored the managerial and organizational factors that may support companies in translating their CSR commitment in product, service, or process innovations.

The thesis aims to fill these two open issues, and therefore has a twofold objective: i) to investigate the relation between the integration of CSR into strategy and the formalization of CSR, in order to understand the role played by formal tools in this integration; ii) to explore the main managerial and organizational aspects of CSR implementation that can favor the generation and development of CSR driven innovation.

The first chapter is dedicated to answer the first research objective. With this aim I investigated the CSR strategy of eleven companies in order to analyze the role they attribute to CSR formal tools. The results of the analysis put in evidence the existence of a group of companies (that I addressed as *innovators)* whose CSR strategy is mainly centered in the innovation of their core products and processes in response to social and environmental issues. The empirical analysis conducted in the first part of the thesis suggested the choice of the single case study where to explore the organizational and managerial enablers of CSR-driven innovations. The results of this second part of the thesis underlined the importance of partnering with the nonprofit sector in an open innovation perspective. This result

informed the last part of the investigation, that has deepened the thesis of profit-nonprofit partnerships as sources of innovation, analyzing in particular the business and social outcomes they could generate.

The structure of the thesis is as follows.

The **first chapter** contributes to the literature debate on the role that formal tools related to CSR implementation can play in integrating CSR into corporate strategy. According to Porter and Kramer (2006) the majority of companies have a 'cosmetic' approach to CSR. This is based on the adoption of formal tools such as sustainability reports and ethical ratings, used only with cosmetic purposes, and in the implementation of several sporadic CSR initiatives not related to the companies' core business. The authors suggest to move to a different approach to CSR, more integrated in the strategy of the firm, which could create relevant strategic advantages. However, they do not clarify the role that formal tools can play in a more integrated approach and previous literature contributions provide controversial positions on this topic. Given the existence of this open issue, the aim of the first chapter is twofold. Firstly, to investigate if it is possible to reach an high level of integration of CSR into corporate strategy, without a comparable level of formalization. Secondly, to investigate which roles, beside the cosmetic one, companies attribute to formal tools related to CSR. Based on a theoretical framework made up of the main theories used in literature to explain companies' CSR commitment (institutional theory, resource dependence theory and resource based view), I analysed and compared eleven case studies of large Italian companies. The research points out that integration and formalization levels may be not aligned, but this happens only under specific circumstances. In general, companies depending on their different features and approach to CSR, may use formal tools to integrate CSR in their strategy and mission. In particular, these tools may facilitate the creation of a shared culture and vision of sustainability, the management and reduction of reputational risks, and the improvement of the innovation strategy of the firm.

In the **second chapter** I focused on CSR - driven innovations, that are defined as product, process or market innovations that address social or environmental concerns and in turn create new business opportunities and competitive advantage. Considering the strategic relevance of these innovation in mediating the relation between CSR commitment and business advantages, this chapter studies what a firm can do, from a managerial and organizational point of view, to foster and improve the development of CSR-driven innovations. Based on a single, explorative case study regarding IntesaSanpaolo, the largest bank in Italy, whose CSR strategy is largely based on the development of such innovations, the reseacrh identifies and discusses those aspects that seem to facilitate the development and launch of CSR-driven innovations. These aspects are discussed and interpreted by drawing upon established theories in the field of CSR and innovation.

In the **third chapter** I studied the collaborations between firm and nonprofit organization that represent a source of shared value for the business and the society. Particularly, integrative partnerships (Austin, 2000), as the highest strategic level of collaboration, facilitate the coming up of NPOs potential in fostering the development of business innovations. Based on the analysis of four case studies, this chapter aims to underline the potentialities of integrative profit-nonprofit partnerships (P-NP) that have an innovation outcome, in terms of shared value creation. In particular, I wanted to make evident how a P-NP collaboration direct to generate innovation can be an effective way to create value both for the company and the society at large. In order to provide a comprehensive overview of the topic, each analyzed case studies concerned one of the different kind of innovations outlined by the Oslo Manual (OECD, 2005): product/service, process, market and organizational innovation.

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General introduction

Evolution of CSR

The roots of the concepts of CSR can be traced at Bowen's book "The social Responsibility of Business Man" (Bowen, 1953). In this book the author provides the first modern contribution to the CSR topic by proposing a definition of the social responsibility of the businessman: "*It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society*" (Bowen, 1953, p.6). The social responsibility movement was born in US, where other social movements, including civil rights, women's rights, consumers' rights and the environmental movement, spread out. In parallel with its explosion, strong opponents to this concept began to arise. Thomas Levitt (1958) was worried about the danger of corporate social responsibility, fearing that CSR could have detracted attention to profits. Friedman (1970) objected to the raising concept of social responsibility that in a free economy (society) "*there is one and only one social responsibility of business –to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception and fraud*" (Friedman, 1970, p.126). Supporting the previous critics, during this historical period "*social responsibility was driven primarily by external, socially conscious motivations, and businesses were not looking for anything specific in return*" (Carrol and Shabana, 2010, p.87).

In the following years the CSR construct evolved, and a major attention began to be dedicated to the output of social initiatives (corporate social performance, CSP hereafter) (Wood, 1991). According to Wood (1991, p. 693), CSP is "*a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships*". This focus on results put the basis for the investigation of the potential link between CSR and corporate financial returns.

Moreover, real business cases such as Enron collapse in 2002 attracted the attention on the potential costs of irresponsibility (Petrick and Sherer, 2003), giving an impulse to the studies regarding the link between CSR and competiveness. Thus, a new orientation toward CSR was emerging, that can be synthesized in the well-known expression: "*Doing good to do well*" (Vogel 2005, pp. 20–21), which refers to the possibility to reconcile business benefits and social responsibility. The possibility to pursue simultaneously social responsibility and the fulfillment of the company's business strategy is synthesized in the concept of "strategic CSR", that will be discussed in the following section.

Strategic CSR

The concept of 'strategic philanthropy' emerged in response to the increasing criticism to CSR, accused not to create value for the company and its shareholders. The concept was defined by Logsdon et al. (1990) as "*the process by which contributions are targeted to serve direct business interests while also servicing beneficiary organizations*" (p.95). In 2002 Porter and Kramer in their study concerning "The Competitive Advantage of Strategic Philantropy" discuss the existence of an area of 'convergence of interests' between social and economic benefits. Companies can obtain this convergence focusing philanthropic investments on the key success factors of the competitive context: for example, they can use donations to train local human resources in developing countries, thus obtaining both an improvement of local educational rate and economic development, and the availability of skilled work force. Cause-related marketing initiatives, that consist in associating the company's products to a social or environmental cause, is another example of "*profit-maximizing CSR"*(Baron, 2001).

Porter and Kramer in 2006 extended this discussion from strategic philanthropy to strategic CSR, looking not only at the strategic impact of donations and sponsorships, but the whole perimeter of possible CSR initiatives. They analyzed the link between competitive advantage and corporate social responsibility. In their study the authors encourage companies to adopt an operational approach to CSR, that evolves from a responsive approach to a strategic one. Responsive CSR consists in good corporate citizenship and reducing the negative impacts of the company activities. Strategic CSR goes even further. "*it is about choosing a unique position—doing things differently from competitors in a way that lowers costs or better serves a particular set of customer needs*" and consists in "*a small number of initiatives whose social and business benefits are large and distinctive"* (Porter and Kramer, 2006, p. 11).

This advantages are achievable if the company CSR is linked to the company strategy: the more CSR initiatives are central with respect to the company business, the more they can provide business advantages (Burke and Lagsdon, 1996). On the other hand, *"the more closely tied a social issue is to the company's business, the greater the opportunity to leverage the firm's resources and capabilities, and benefit society*" (Porter and Kramer, 2006, p.11). According to this new approach the interests of all the company's stakeholders and its shareholders are no more in contrast (Kurucz et al. 2008; Tencati and Zsolnai, 2009) and the creation of value for society is simultaneously the creation of business value (Berger et al, 2007). This concept of shared value creation has been explicitly restated in the recent work of Porter and Kramer (2011), where they define it not as "*social responsibility, philanthropy or even sustainability, but [as] a new way to achieve economic success*" (Porter and Kramer, 2011, p. 65). Moreover, it has been formalized by the European Union, which explained in the renewed EU strategy 2011-14 for CSR, that the aim of CSR is: "*maximizing the creation of shared value for their owners/shareholders and for the other stakeholders and society at large*" (European Commission, 2011, p.6).

Two major streams of research emerged from the concept of strategic CSR. Firstly, academics investigated the integration of CSR into business strategy, which is necessary to obtain major business advantages from CSR commitment. Secondly, they focused on the possibility to reconcile CSP and corporate financial performances (CFP hereafter), understanding the strategic relevance of using CSR as a driver of innovation in order to reconcile CSR commitment and competitiveness. The following section goes into details of these two topics and underlines the open issues still existing in literature.

The integration of CSR into strategy

The strategic approach to CSR opened a wide debate on how to integrate CSR issues into corporate strategy. The European Commission pushes companies in this direction. In 2001 Green Paper "Promoting a European framework for corporate social responsibility", the European Commission defined CSR as "*a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*" (European Commission, 2001). A decade after, in the renewed EU strategy 2011-14 for CSR, the Commission again stresses this necessity to integrate CSR and strategy: "*Enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders, with the aim of: maximising the creation of shared value for their owners/shareholders and for their other stakeholders and society at large; identifying, preventing and mitigating their possible adverse impacts*" (European Commission, 2011, p.6).

Thus, scholars and practitioner face the difficult challenge to understand how such integration can be reached. As a consequence, this process of 'strategization' of CSR (as defined by Sharp and Zaidman, 2009), has been widely discussed in literature.

Scholars proposed different frameworks that illustrate the path companies should follow to reach the integration between CSR and strategy (Dentchev, 2005; Porter and Kramer, 2006; Maon et al, 2009). All these frameworks agree on the necessity to identify an overlapping between the company's most critical stakeholders' needs and its core competencies and key success factors. On the basis of this overlapping, the company can develop an explicit CSR strategy which should be coherent with its mission, and identify KPIs that inform the achievement of CSR objectives driving a process of continuous improvement.

Analyzing these frameworks, what still remains unclear is the role that formal tools used in the implementation of CSR (i.e. as ethical codes, sustainability report, certified management systems, quotation on ethical ratings, etc.) can play in the integration of CSR into strategy. Perrini and Minoja (2008) empirically investigated this process of integration within a medium family-owned enterprise. They describe the shift from a 'sunken' to a more formalized approach to CSR as step in this process, that occurs in four dimensions: value contagion and formalization, reporting, communication and control and certification. Other authors defined the formalization of CSR values and principles (Porter and Kramer, 2006), the communication of CSR efforts through sustainability reports (Maon et al, 2009) or the adoption of certified management systems (Waddock and Bowen, 2007) as steps in the integration of CSR into strategy.

However, these tools have also been strongly criticized for their scarce managerial utility (Perrini, 2006), for having only a 'cosmetic' function (Porter and Kramer, 2006; Hooghiemstra, 2000), or for even reducing company's efficiency since they require a major bureaucratic effort (Miles and Munilla, 2004). According to Fassin (2008, p.375) *"formalization can even be counterproductive"* in achieving the integration between CSR and strategy.

Thus, the <u>first open issues</u> I found in the literature debate regarding the broad topic of strategic CSR concerns the role played by formal tools related to the implementation of CSR in the integration of CSR into corporate strategy.

The role of innovation

The strategic approach to CSR also gave raise to numerous contributions trying to assess the impact of CSR performance on the firm's competitiveness and financial performance. The literature reviews made by Margolis and Walsh (2003) and Orlitzky (2003), however, underline that authors did not reach a shared conclusion regarding the topic.

According to a recent interpretation, the positive influence of CSR on competitiveness can be explained recurring to a 'broad view' of CSR (as defined by Carrol and Shabana, 2010). This view, consistent with the 'syncretic' model proposed by Berger et al (2007), does not only value CSR if it provides direct financial benefits (narrow view), but also take into account the indirect influence that CSR can have on financial performance. CSR, for example, can positively affect customers' trust, which in turn can have a positive influence on corporate financial performance (Pivato et al, 2008).

The role of mediating variables in explaining the relation between CSP and CFP have been deeply investigated, particularly with respect to innovation. McWilliams and Siegel (2001) have empirically demonstrated that the contradictory results obtained regarding the relation between CSR and CSP are due to the existence of an omitted variable, positively related both to CSP and CFP, that is innovation. This mediating effect of innovation implies the existence of a positive relation between CSR and the innovation performance of the firm. The reasons for this positive link can be traced back primarily to company strategy. CSR can be interpreted as part of a differentiation strategy that also implies an investment in research and development. As noted by McWilliams and Siegel (2001, p. 608), "*many firms that actively engage in CSR are also pursuing a differentiation strategy, involving complementary strategic investments in R&D*". More specifically, investments in CSR can generate a push towards innovation with the aim to enhance the 'socially responsible attributes' (Cumming et al, 2005; Pavelin and Porter, 2008; Wagner, 2010) of the company's products and services. These new products and services, that have *"[…]some sort of social purpose […]"* and are *"[…] driven by values for the creation of social products and services*" (MacGregor and Fontrodona, 2008. p. 14) are labelled in the literature as *CSR-driven innovations*. This concept refers to "*the use of social, environmental or sustainability drivers to create new ways of working, new products, services and processes, and new market space*" (Keeble et al, 2005: 3).

CSR-driven innovations can explain the positive impact of CSR on profits (Maxfield, 2008). Hull and Rotemberg (2008), for example, showed that corporate social performance enhances financial performance by allowing the firm to differentiate, and that this effect may be moderated by innovation. Surroca et al (2010) examined the effects of a firm's intangible resources (innovation, HR, reputation and organizational change) in mediating the relationship between corporate responsibility and financial performance.

Also the European Commission underlines the role of CSR as a driver of innovation and its consequent positive role in contributing to achieving the strategic goal decided in Lisbon in 2000: "*to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion"*. In the "Renewed EU strategy 2011-14 for Corporate Social Responsibility" as presented at the end of October 2011, the Commission encourages companies to "*explore the opportunities for developing innovative products, services and business models that contribute to social wellbeing and lead to higher quality and more productive jobs*" (European Commission, 2011, p.6). According to the Commission, this approach to CSR is fundamental for "*maximizing the creation of shared value*" (European Commission, 211, p.6) for both the shareholders and stakeholders of the company.

The previous literature review underlines the importance to translate CSR commitment in the development of new products, services and processes, that are able to create a social or environmental benefit while contributing to the company's competitiveness. Despite the strategic relevance of this issue, I found a <u>second gap</u> in academic literature: within the numerous studies regarding the implementation of strategic CSR, no investigation addressed the problem of how to manage and organize CSR activities in order to favor the generation and development of CSR-driven innovations.

Organization of the thesis

The present work aims to contribute to existing literature on the broad topic of strategic CSR through the investigation of the integration of CSR into company strategy, with a particular focus on the role that innovation plays in this perspective.

In particular the thesis has the objective to address the two major open issues identified in the previous paragraphs, analyzing:

- The role that formal tools related to the implementation of CSR can play in the process of integration of CSR into corporate strategy
- The managerial and organizational enablers of CSR-driven innovation, and the role played by nonprofit organizations in the development of innovation leading to both business and social values

The logical sequence of the thesis development is the following.

The investigation starts (chapter 1) from the revision of existing academic contributions on the integration of CSR into company strategy, and on the formal tools that companies may adopt in their process of implementation of CSR. Starting from these literature review, the research aims to contribute to the literature debate on the role played by formal tools in the integration of CSR into strategy. The investigation is conducted at the light of a theoretical framework built upon the main theories used in literature to explain companies commitment to CSR: the institutional theory, the resource dependence theory and the resource based view of the firm. The analysis is carried out comparing eleven case studies of Italian large firms chosen because of their presumably high commitment in CSR. The analysis has underlined the existence of several operative functions of formal tools, beside the cosmetic one. Among them, CSR formal tools, in highly integrated companies, also represent a support to the innovation strategy of the company.

The first part of the thesis led to the identification of a group of companies whose CSR strategy mainly results in the innovation of their core products and processes. This result informed the selection of the single case study used to explore the second issue of the thesis (chapter 2): the analysis of managerial and organizational aspects of CSR implementation that can foster the development and success of CSR-driven innovation. The results of the explorative case study of Intesasanpaolo were interpreted at the light of established theories of innovation and corporate social responsibility: open innovation, structural ambidexterity and stakeholder theory. The support of these theories improved the robustness of the findings provided by the empirical analyiss, despite the scarce generizability of the single case study methodology.

Within the managerial enablers of CSR-driven innovation emerging in the second chapter, the creation of long-term strategic partnerships with the nonprofit sector resulted a distinctive element, that deserved further investigation. Thus, in the last part of the analysis (chapter 3) I aimed to deepen the investigation of profit-nonprofit partnerships as a source of innovation, focusing particularly on the business and social outcomes they can generate. This phase of the research is based on four descriptive case studies of partnerships between a company and a nonprofit organization, leading to four different innovation outcomes: product, process, market and organizational. Comparing the four case studies I show the creation of business and societal benefits in all of them, underlying the existence of both direct and indirect outcomes, that facilitate the fulfillment of the companies’ strategy and of the NPOs’ social mission.

Chapter 1[1]

The integration of Corporate Social Responsibility into corporate strategy: the role of formal tools

[1] This chapter is at the basis of the paper "The integration of Corporate Social Responsibility into corporate strategy: the role of formal tools", coauthored by Paolo Maccarrone. It has been reviewed and re-submitted to *Journal of Business Ethics*.

1.1 Introduction

In 2001 Green Book the European Commission defined CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (European Commission, 2001). A decade after, in the renewed EU strategy 2011-14 for CSR, the Commission again encourages companies to "integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy" (European Commission, 2011, p.6).

The integration of CSR into corporate strategy represents a major challenge for managers. Scholars have widely investigated the topic and have proposed several frameworks for the integration process (for example, Dentchev, 2005; Porter and Kramer, 2006; Waddock and Bowell, 2007; Perrini and Minoja, 2008, Sharp and Zaidman, 2009). The formalization of CSR activities, the introduction of external accountability tools (social/sustainability reports), a well-structured communication of CSR initiatives and related outputs, and the adoption of certified management systems have been described as steps in this process of integration of CSR into strategy (Perrini and Minoja, 2008). However, these formal tools have also been criticized for their doubtful managerial utility (Perrini, 2006), for having just a ‘cosmetic’ function (Porter and Kramer, 2006; Hooghiemstra, 2000), or for even reducing company’s overall efficiency, since they imply a higher bureaucratic effort to be managed (Miles and Munilla, 2004). Thus, formalization can even be counterproductive in obtaining a high level of integration of CSR into firm's strategy (Fassin, 2008).

The recent case of British Petroleum (BP) provides an example of how a high formalization may not be a signal of a comparable level of integration of CSR into corporate strategy. BP social report was certified as A+ level (the maximum level achievable) by GRI (Global Reporting Initiative, the main social/sustainability accountability standard), and the company held environmental certifications and was listed in several ethical indexes. However, some risky business decisions, forced mainly by cost cutting purposes, led to a huge environmental disaster (National Commission Report, 2010). In their research, Porter and Kramer (2006) suggest that companies should evolve from this 'cosmetic' approach to CSR (characterized by a high level formalization, but almost totally isolated from a firm core business) towards a different one, characterised by a higher integration of CSR into corporate strategy. But the role played by CSR formal tools in this integration is not clear.

Therefore, the main purpose of this work is to understand whether formal tools are needed to integrate CSR into corporate strategy, and, if so, why. In particular, the research questions can be described as in the following:

- Is it possible to reach a high level of integration of CSR into strategy, without a comparable level of formalization of CSR activities?
- What is the role played by formal tools in the integration of CSR into corporate strategy?

In order to answer to these questions I analysed eleven case studies of large Italian companies from the perspective of the main theories used in literature to explain a company's commitment to CSR: the institutional theory (DiMaggio and Powell, 1983), the resource dependence theory (Pfeffer and Salancik, 1978) and the resource based view of the firm (Barney, 1991).

The paper is structured as follows: in section 1.2.1 I summarize the literature debate on the role of formal tools, starting from Porter and Kramer (2006)'s distinction between a cosmetic and an operational approach to CSR. In 1.2.2 I define the two dimensions of the analysis, formalization and integrationon the basis of existing literature. In section 1.3 I introduce and explain the theoretical framework. In section 1.4 I describe the methodology used for the analysis, in terms of sample selection, data collection and data analysis. In section 1.5 I present the results. In section 1.6 I discuss the results in order to answer the two research questions of the analysis and finally I draw the conclusions.

1.2. Literature review

1.2.1. The literature debate on the role of formal tools

Porter and Kramer (2006) point out the existence of a dichotomy between a cosmetic and an operational approach of companies toward CSR. The cosmetic approach is characterised by a broad use of formal tools, that do not have any strategic or operative function: social reports that do not provide a strategic framework for the CSR initiatives of the company; ethical ratings and rankings that are not able to portray the real CSR efforts of companies and to tangibly influence corporate behaviour, because of their lack of consistent measurement of CSR performance. The operational approach, instead, is more integrated with the company's business. Porter and Kramer (2006) divide it in two steps: responsive and strategic. A responsive approach to CSR implies acting as a good citizen and reducing the negative impacts of the company's value chain activities on the broader society and environment. The strategic approach consists in the implementation of few CSR initiatives strictly correlated to the core business, which are able to differentiate the firm from competitors, delivering benefits to both the company and the broader society. Porter and Kramer (2006) consider the three approaches (cosmetic, responsive and strategic) as part of an evolutionary path that starts with CSR being, at first, totally unrelated to the company's business and ends "when a company adds a social dimension to its value proposition" (Porter and Kramer, 2006, p. 91). I reinterpreted the three different approaches to CSR according to the increasing level of integration of CSR into the strategy of the firm, as represented in figure 1.1.

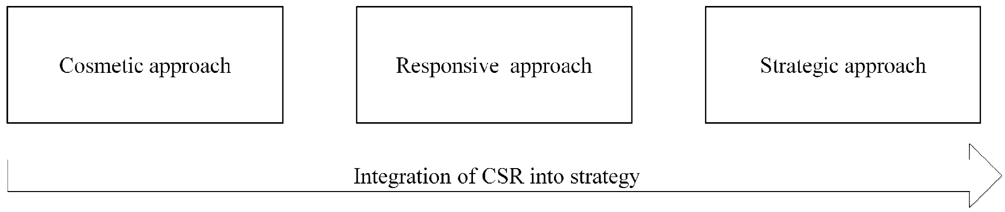

Figure 1.1. Different approaches to CSR following to an increasing integration into strategy

What is not clear is the role that formal CSR governance mechanisms and tools play in this process of integration of CSR into corporate strategy.

Perrini and Minoja (2008) in their study on this process of integration in an Italian medium-sized, family owned company, describe the shift from a 'sunken' to a formalized CSR approach as a step in this evolutionary process. Coherently with this perspective, formal CSR tools are attributed an important role in the integration process of CSR into company's strategy by many authors, since they can influence managers' behaviours and decisions. Stevens (2008), for example, states that codes of conducts can be an effective instrument for shaping ethical behaviour and guiding employee decision-making. In relation to environmental certifications, scholars highlighted improvements in employees and management awareness of the managerial implications of the environmental dimension and, in turn, in operational efficiency and effectiveness (Rondinelli and Vastag, 2000; Morrow and Rondinelli, 2002). On the contrary, Fassin (2008) criticized the increasing formalization of CSR as "an evolution towards a logic of compliance and standardization intended for external analysis rather than an internal tool for management" (Fassin, 2008, p. 368). Supporting this statement, often ethical codes adoption remains 'in name only' and has hardly no effects on a firm practices and decisional processes (Westphal and Zajac, 2001), and anyway they address personal behavior, not strategy (Hosmer, 1994).

Certifications are often perceived as a waste of time, resources and money, which doesn't provide any strategic or operational advantage to the company (Miles and Munilla, 2004). Social reports have been criticized for having a scarce managerial utility (Perrini, 2006), because they do not provide a coherent framework for CSR activities (Porter and Kramer, 2006) and they do not support, and not even testify, the real integration of CSR into corporate strategy and business decisions (Perrini, 2006). Also the validity and the potential impact on a company's actual behavior of ethical ratings has been questioned several times (Chatterji and Levine, 2006; Fowler and Hope, 2007).

In conclusion, while the reputational and legitimating role of formal tools such as codes of conducts (Stevens et al, 2005), sustainability reporting (Hooghiemstra, 2000; Perrini, 2006), quality and environmental reports (Pan, 2003; Poksinska et al, 2003) is widely recognized in literature, their role in supporting the integration of CSR into strategy is still controversial.

This confirms the relevance of the objective of the present research, that is to deepen the analysis of the link existing between the two dimensions of integration of CSR into corporate strategy and formalization of CSR, in order to understand if (and how) CSR formal tools are needed in order to get to a strategically integrated CSR approach.

1.2.2 Criteria used to define 'integration' and 'formalization' of CSR

The following sections will provide a definition of the two concepts of 'integration' and 'formalization' of CSR based on existing literature: each section lists the main criteria I used for assessing the two dimensions of the analysis in the companies I analyzed.

The integration of CSR into business strategy

A CSR approach integrated into corporate strategy of the firm is characterised by a high level of 'centrality' of CSR initiatives, which refers to the closeness of these initiatives to the company's core business (Burke and Logsdon, 1996; Husted and Allen, 2001). I referred to the classification proposed by Porter and Kramer (2006) to assess this dimension. According to the authors CSR initiatives can be divided into three categories, having an increasing level of proximity to the core business: they can be totally uncorrelated to the core business of the firm, addressing generic social issues (e.g. philanthropic sponsorships or donations to NGOs); they can be aimed at reducing the negative impacts of its value chain activities; or, at the maximum level of integration, they can act upon and improve the key success factors of its competitive context.

Having an high integrated CSR also means clearly stating explicit and assessable goals for each CSR area, that should be included among strategic objectives (Lantos, 2001; Werther and Chandler, 2006; Maon et al, 2008). I considered high the level of integration of CSR into strategy when CSR objectives are included in management's incentive and compensation systems (Werther and Chandler, 2006).

In order to integrate CSR into strategy, companies should identify the most relevant stakeholders (Maon et al, 2008), create an effective dialogue with them (Porter, 2008), and proactively respond to their requests and involve them into business decisions (Maon et al, 2010). Thus, I assessed as high the level of integration of CSR into corporate strategy if the company developed ad hoc and innovative systems of stakeholders engagement.

Finally, companies that integrate CSR in their strategy often establish long-term collaborations with public and non-profit organizations (Seitanidi and Ryan, 2007; Kourula and Halme, 2008; Seitanidi and Krane, 2009) which go beyond donations or philanthropy. In these long-term partnerships the company and the NGO cooperate in developing projects with common strategic goals (Kourula, 2006).

The formalization of CSR

Looking at the literature on the implementation of CSR, five main elements emerge with respect the level of formalisation of CSR in a company:

- The existence of a committee or of a permanent organisational unit (a department) responsible of CSR activities (Graafland et al, 2003; Maon et, 2008; Maon et al, 2009).
- The adoption of ethical codes, codes of conducts, value statements and policies that formalize the company's values, and the inclusion of a social aspect in the company mission statement (Porter and Kramer, 2006; Perrini and Minoja, 2008)
- The number of international social/environmental certifications obtained by the company (McAdam and Leonard, 2003; Castka et al, 2004; Waddock and Bodwell, 2007; Russo and Tencati, 2009). The most relevant certifications are ISO14001 and EMAS for the environmental management, ISO9001 for quality management and SA8000 for HR-related issues (working conditions, respect of ILO guidelines, etc).

- The publication of a social report (Gond and Herrbach, 2006; Perrini and Tencati, 2006; Perrini and Minoja, 2008). The social (or sustainability) report can be drafted accordingly to international (e.g. Global Reporting Initiative) or national (e.g. GBS in Italy) standards and may be certified by external auditors.
- The fact of being ranked on the most relevant ethical rankings (such as the Dow Jones Sustainability Index or the FTSE4Good Index) or the affiliation/membership to other national/international/industry institutions[2] that testify the social commitment of the company (Dunfee, 2003; Porter and Kramer, 2006; Fowler and Hope, 2007).

Table 1.1 summarizes the criteria used to define the two dimensions of the analysis.

	Criteria	**Description**	**Main authors**
INTEGRATION	*Centrality*	Nearness of CSR initiatives with the core business of the firm	Burke and Logsdon, 1996; Husted and Allen, 2001; Porter and Kramer, 2006
	Strategic relevance of CSR objectives	Explicit and assessable CSR objectives, included in management's incentive and compensation systems	Lantos, 2001; Werther and Chandler, 2006; Maon et al, 2008
	Stakeholder involvement	Creation of ad hoc innovative tools for stakeholder dialogue and involvement	Maon et al, 2008; Porter, 2008, Maon et al, 2010
	Partnership with the nonprofit sector	Establishment of long-term, strategic partnerships with NGOs, foundations, civil society organizations ...	Seitanidi and Ryan, 2007; Kourula and Halme, 2008; Seitanidi and Krane, 2009
FORMALIZATION	*Ethical codes/codes of conduct*	Drafting of code of conducts/ethical codes/principle statements that formalize CSR values	Porter and Kramer, 2006; Perrini and Minoja, 2008
	CSR Unit	Existence of a committee or of a permanent organizational unit responsible of CSR activities	(Graafland et al, 2003; Maon et al, 2008)
	Certifications	Number of international social/environmental certifications obtained by the company	McAdam and Leonard, 2003; Castka et al, 2004; Waddock and Bodwell, 2007; Russo and Tencati, 2009
	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, 2006; Perrini and Tencati, 2006; Perrini and Minoja, 2008
	Ethical ratings	The fact of being ranked on main ethical rankings (such as the Dow Jones Sustainability Index or the FTSE4Good Index)	Dunfee, 2003; Porter and Kramer, 2006; Fowler and Hope, 2007

Table 1.1. Criteria used to define CSR integration and formalization

[2] For example, the United Nation Global Compact, the European Alliance for CSR, the World Business Councile for Sustainable Development, the World Bank Equator Principles for the banking sector.

1.3 Theoretical framework

The following section describes the theoretical framework that guided the investigation, based on those theories used in literature to explain the companies' motives toward CSR commitment.

According to the *institutional theory*, organizations in order to survive must achieve legitimacy by conforming to the rules and expectations of the institutional environment (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Scott, 1987). Legitimation is one of the main drivers of CSR commitment (Hanke and Stark, 2009).Thus, different institutional structures and political legacies are important factors in explaining how companies determine and implement their CSR course of actions (Doh and Guay, 2006; Campbell, 2007). In particular, the formalization of CSR approach can be interpreted as a response to institutional pressures coming from the environment where the company operates (Jones, 1995; Jennings and Zandbergen, 1995; Husted and Allen, 2006).

However, as suggested by Oliver (1991), companies behaviours in response to institutional pressures may also be interpreted in the light of the resource dependence theory, whereby an organization is conceptualized as being dependent on external resources for its survival (Pfeffer and Salancik, 1978). Due to this dependence companies may adopt different strategic responses to institutional pressures. The choice of which strategy to adopt depends on a number of contextual factors (or 'predictors'), which have a strong influence on a firm decision to accomplish, refuse, ignore or manipulate the institutional pressures, in order to meet its own interests and to access and control the resources it needs to get from the external environment (Oliver, 1991). According to resource dependence theory, indeed, "organizations will (and should) respond more to the demands of those organizations or groups in the environment that control critical resources" (Pfeffer, 1982, p. 193). This interpretation may be useful to read companies approach to CSR: firms may be pushed by institutional pressures to comply with several social and environmental responsibilities (Campbell, 2007). But, they may also enact different strategic responses to such pressures, according to the relative power of their stakeholders and to the critical resources they wish to control (Jawahar and McLaughlin, 2001). Looking at CSR commitment through this theoretical lens, the necessity to access to critical external resources controlled by certain stakeholders' categories can push the integration of CSR into corporate strategy.

Institutional theory and resource dependence theory, take into account external pressures (i.e., pressures coming from the institutional and task environment), which represent constraints to the management's span of action. This research also considered the possibility of a proactive choice by managers, who may deliberately engage in CSR in order to develop new resources and competences as explained by the resource based view of the firm (Barney, 1991).

According to this theory, a firm can gain a sustainable competitive advantage if, and only if, it possesses major resources and if these resources are protected by some form of isolating mechanisms which preserve them from imitation or appropriation (Barney, 1991). Intangible resources (such as intellectual property, organizational and reputational assets) are more difficult to create and to imitate and therefore they are more likely to be a source of competitive advantage than tangible resources (Barney, 1999). The resource based view framework has been used by numerous researchers (Russo and Fouts, 1997; Branco and Rodriguez, 2006; Surroca et al, 2010) to investigate whether firms can achieve a competitive advantage through CSR. According to this perspective, CSR activities can be a source of intangible resources such as know-how, technology, human capital, corporate culture and reputation that are valuable, rare and cannot be perfectly imitated (McWilliams et al, 2006). In the words of Branco and Rodriguez (2006, p.128): “when deciding to engage in CSR, managers most likely have in mind the possible benefits which are underlined by the resource based view”.

Crossing these theoretical perspectives with the two dimensions of the analysis (integration and formalization), I can assume that institutional pressures, and the search for social fit, may be considered determinants of a high CSR formalization level. On the other side, the need to control external critical resources and the willingness to develop internal differentiating competencies may be assumed as drivers for integrating CSR into company's strategy.

Figure 1.2 summarizes the two previous sections, and provides a graphical representation of the theoretical framework for the analysis.

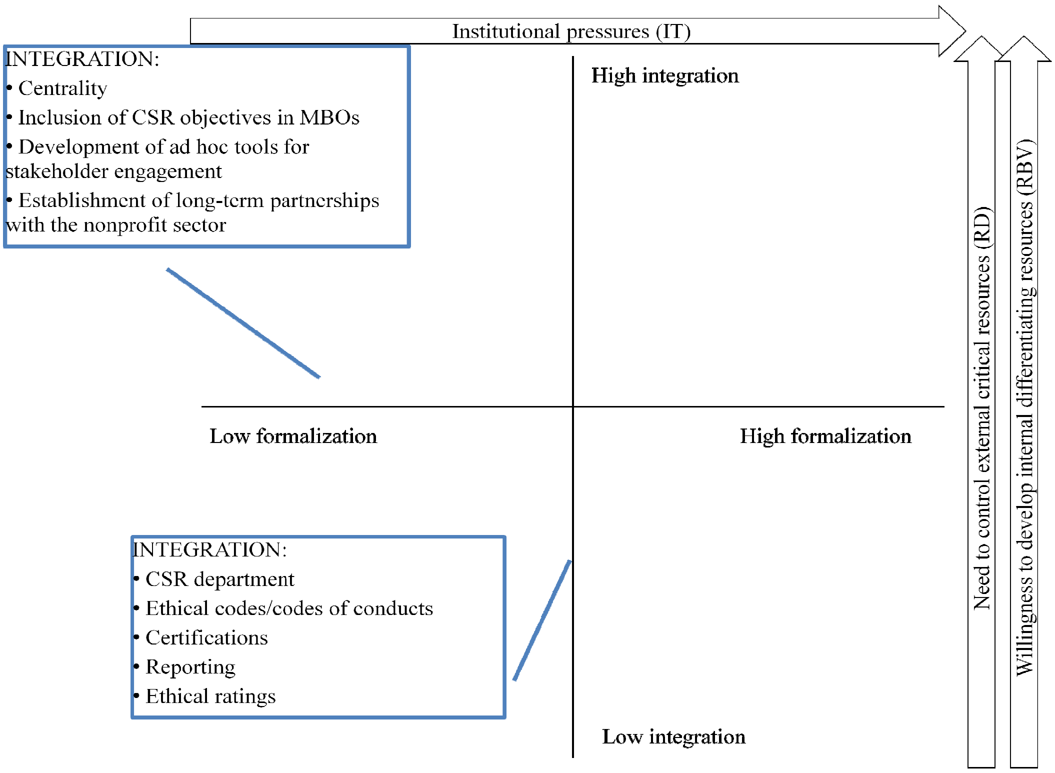

Figure 1.2 Theoretical framework

1.4 Methodology

The case study methodology was considered the most appropriate approach to investigate an empirical situation in relation to its real-life context (Yin, 2003). In this research, the existence of a strict correlation between the investigated phenomenon and the external context is testified by the two perspectives of institutional theory and resource dependence. They both analyse the company's behaviour in response to the influence of the external environment, in terms of both institutional pressures and critical resources. Moreover, this research aimed at understanding the perceptions and motives of companies' managers: in order to do so, I performed an in depth investigation through direct interviews with managers.

In particular, I used multiple-case design, as it allows the analysis of similarities and differences across different cases (Yin, 2003), that proved to be essential to identify the peculiar features of each CSR approach, with respect to the role of formalization

I selected a sample of 11 large companies: large companies are expected to have a higher commitment to CSR issues and they are also more likely to use formal tools compared to SMEs (Russo and Tencati, 2009). To improve the probability to obtain interesting results from case studies, I selected those adopting CSR best practices, as testified by prizes and awards received. Finally, in order to limit the influence of the industry on results I chose companies belonging to different sectors. I considered only companies with their headquarters in Italy, as it was easier to get in touch and conduct multi-stage, face-to-face interviews with the top management.

The main features of the companies in the final sample are summarised in Table 1.2. For confidentiality purposes, they are identified by letters rather than their names.

Company	Sector	Employees	CSR prizes and awards
A	Food and retail	67,000	Sodalitas Social Awar finalist (two times) "Design for All" Award People Award for Hospitality and Service
B	Manufacturing	6,300	Sodalitas Social Award finalist Carbon Footprint recognition for CO2 emissions Sustainable Energy Europe Award
C	Energy	82,000	Sodalitas social Award finalist (three times) Sodalitas Social Award European Business Awards (category: The Award for Corporate Sustainability and The Environmental Awareness Award) European Utility Award
D	Utilities	76,000	Sodalitas Social Award finalist CSR Online Award Global Leaders Foreign Policy Associations CSR Award Getenergy Award
E	Food	1,700	Sodalitas Social Award finalist (two times) Brand Award Ethic award finalist in the internal processes and employees management category
F	Healthcare	1,000	Sodalitas Social Award finalist Ethic Award Candidate for Social Report Oscar
G	Utilities	6,400	Sodalitas Social Award finalist Sodalitas social Award winner Good Energy Award Social report Oscar
H	Construction	21,000	Sodalitas Social Award European Greenbuilding Award Golden prize for innovation
I	Banking	108,300	Sodalitas Social Award finalist (two times) Green Globe Banking Award Welcome Award 2007
J	Telecommunication	77,800	Sodalitas Social Award finalist Sodalitas social Award winner Recognition in the "Child online protection" program Finalist in "CSR online Award"
K	Banking	170,000	Sodalitas Social Award finalist (three times) Boston Business Journal's Corporate Philanthropy Award Energy Service Award CSR mobility award

Table 1.2. Interviewed companies

The main data sources for the investigation are those traditionally used in qualitative research: face-to-face interviews and archival data (Marshall and Rossman, 1989; Shah and Corley, 2006). The triangulation of data, in fact, is important not only to increase the credibility of results (Eisenhardt, 1989; Shah and Corley, 2006), but also to reach a depth of analysis, which is one of the main advantages of using qualitative analysis (Eisenhardt and Graebner, 2007).

I 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 their 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. Each interview lasted about one hour and, when allowed, it was recorded. After the interview, I followed up via email and phone to fill in any gap. I collected a total amount of about one-hundred hours of interviews between 2008 and 2010. Published information, such as annual reports, strategic plans, presentations and the web pages of the companies were also analysed. Finally, I looked at recent articles in the Italian national press relating to the companies I analysed and to their CSR projects published on the Sodalitas[3] web site. These last two data sources have been used for validating information acquired from interviews and official documentation published by each company.

Data analysis was carried on in parallel with data collection. The first phase of analysis focused on each single case, writing up the specific case study for each company. Interviews were transcribed and integrated with additional notes taken during the interviews and with the information obtained from the sustainability reports and other official data sources. In each company I investigated the criteria that define their level of integration and formalization of CSR, accordingly to what stated in section 2.2. Based on this criteria I assessed the companies with respect to these two dimensions, obtaining different clusters. The second phase of data analysis consisted in a cross-case analysis aimed at finding "within-group similarities coupled with inter-group differences" (Eisendhardt, 1989, p. 540), particularly in relation to the different roles that these companies attribute to CSR formal tools.

[3] Sodalitas is an Italian Foundation set-up by Assolombarda and a number of Italian companies and managers, with the aim of promoting CSR and of supporting the managerial development of non-profit organizations. Sodalitas has an ”Observatory” on Accountability and Sustainability of Companies that summarises over 1,200 Corporate Responsibility projects of very high standards, implemented in the Italian business environment from 2002 to the present day. The Sodalitas Social Award is a prize assigned since 2002 to companies that have tangibly committed to CSR and sustainability projects; all projects which entered the prize competition are included in the “Sodalitas social solutions” database.

1.5 Results

The following section summarises the results emerging from the analysis of the 11 business cases. I evaluated the level of integration of CSR into corporate strategy of companies according to the variables defined in section 2.2. I started by assessing the centrality of CSR initiatives. I rated each company CSR initiatives as 'central' if they were directly linked to the firm core business and to its key success factors. A lower score on integration was given to those companies whose initiatives were mainly aimed at reducing the negative social and environmental impact of the company's value chain and the lowest score was assigned if the CSR initiative consisted mainly of philanthropic donations. Conversely, a high score on integration was given if CSR goals were expressed through explicit and assessable targets and if they were embedded in the management's incentive and compensation system. I then evaluated the level of stakeholder engagement by looking at the tools used by the company for this purpose (web page, toll free numbers, dedicated departments, workshops, or surveys). Traditional tools, which are used only to support external communication, were not considered as an indicator of an integrated CSR strategy. A higher score was attributed to companies which set up innovative ways to actively involve stakeholders in the company's business decisions. With respect to the last criterion of evaluation, a high score was given to those companies that established partnerships with the third sector (not for profit organizations), where companies contributed resources and skills to joint projects in order to achieve clear and shared long term objectives. Then I evaluated the level of formalization of each company, by assessing if they adopted or not the formal tools described in section 2.2.

Tables 1.3 and 1.4 summarise the scores achieved by each company, in terms of the level of integration and formalization of CSR. Appendix A provides further evidences that may justify the evaluation.

COMPANY	**LEVEL OF INTEGRATION INTO BUSINESS STRATEGY**				
	Centrality	**CSR objectives**	**Stakeholder engagement**	**Partnerships with the nonprofit sector**	**TOT**
A	Mainly reduction of negative impacts	Not included in MBO	Traditional dialogue tools	Mainly sponsorships	**LOW**
B	Improvement of key success factors	Included in MBO	Traditional dialogue tools	Collaborative partnerships	**HIGH**
C	Improvement of key success factors	Included in MBO	Innovative involvement tools	Collaborative partnership	**HIGH**
D	Improvement of key success factors	Included in MBO	Innovative involvement tools	Collaborative partnership	**HIGH**

E	Improvement of key success factors	Included in MBO	Innovative involvement tools	Collaborative partnership	**HIGH**
F	Improvement of key success factors	Included in MBO	Innovative involvement tools	Collaborative partnership	**HIGH**
G	Improvement of key success factors	Included in MBO	Innovative involvement tools	Collaborative partnership	**HIGH**
H	Improvement of key success factors	Included in MBO	Innovative involvement tools	Mainly sponsorship	**HIGH**
I	Improvement of key success factors	Not included in MBO	Innovative involvement tools	Collaborative partnership	**HIGH**
J	Improvement of key success factors	Included in MBO	Traditional dialogue tools	Collaborative partnership	**HIGH**
K	Mainly reduction of negative impacts	Not included in MBO	Innovative involvement tools	Mainly sponsorships	**LOW**

Table 1.3. Companies' level of integration of CSR

COMPANY	**LEVEL OF FORMALIZATION**					
	CSR department	**Ethical code/code of conduct**	**Certifications**	**Report**	**Ethical ratings**	**TOT**
A	Yes	Yes	Environmental Quality Health & Safety Social responsibility	GRI compliant Certified	No	**HIGH**
B	No	Yes	Quality	No	No	**LOW**
C	Yes	Yes	Environmental Quality Health & Safety	GRI compliant Certified	Yes	**HIGH**
D	Yes	Yes	Environmental Quality Health & Safety	GRI compliant Certified	Yes	**HIGH**
E	No	Yes	Quality	No	No	**LOW**
F	No	Yes	Quality	Yes (no GRI)	No	**LOW**
G	Yes	Yes	Environmental Quality Health & Safety	GRI compliant Certified	No	**HIGH**
H	Yes	Yes	Environmental Quality Social Responsibility	Yes (no GRI)	Yes	**HIGH**
I	Yes	Yes	Environmental Quality	GRI compliant Certified	Yes	**HIGH**
J	Yes	Yes	Environmental Quality Health & Safety	GRI compliant Certified	Yes	**HIGH**
K	Yes	Yes	Environmental	GRI compliant Certified	Yes	**HIGH**

Table 1.4. Companies level of formalization of CSR

The relative positioning of companies is represented in figure 1.3.

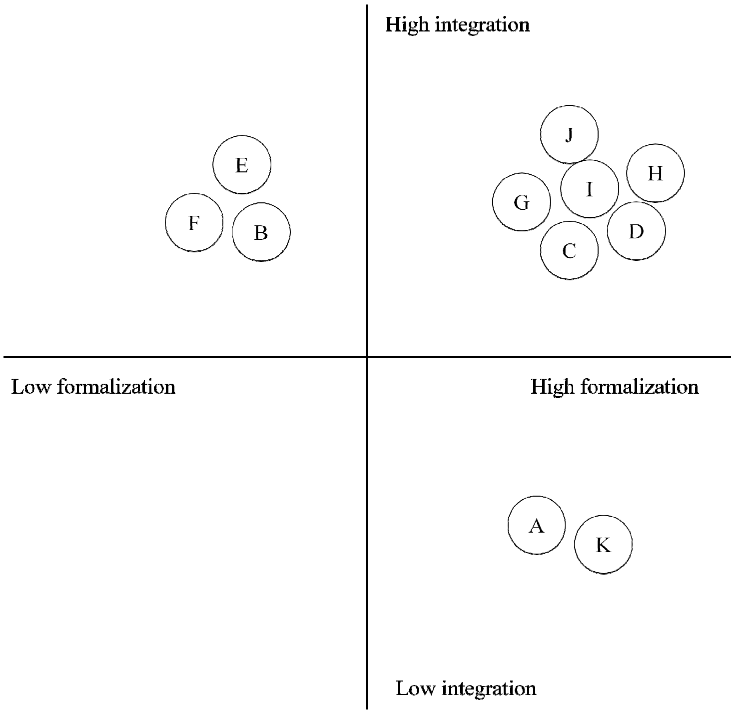

Figure 1.3. Companies' positioning with respect to integration and formalization

1.5.1 The relation between integration and formalization

The results of the empirical analysis underline that the two dimensions (integration of CSR into strategy and formalization) are not so strictly related. Figure 1.3 shows that the majority of companies in the sample reached a high evaluation on both the dimensions. However, the rest of the companies are positioned in the two quadrants characterized by contrasting levels of the two dimensions.

In relation to the first research question (i.e. Is it possible to reach an high level of integration of CSR into strategy, without a comparable level of formalization?) it results particularly interesting to investigate companies having a *high level of integration* of CSR into business strategy but a *low level of formalization* (B, E and F). Some 'soft' elements seem to explain this prevalence of integration over formalisation.

B is a family-owned company, which defined its competitive advantage on values strictly related to CSR. The company has only recently started to address as CSR initiatives those activities that have always been at the core of its business strategy, such as product quality and process efficiency. One of the few certifications obtained by the company refers to the carbon footprint of its products, which represents an element of differentiation in the company's sector (versus competitors). Moreover, the ability to attract and retain talent is essential for the company's high quality technologies, products and processes. It is therefore not surprising that the CSR manager identified the improvement of product quality, the increased motivation and productivity of employees and the reduction of employee turnover as the main benefits of the company's commitment to CSR.

Company E has a business model 'instinctively' inspired to CSR. In the '90s, with the company fighting for survival, the management decided to change strategic direction, developing a new value proposition based on high quality, health and safety compliant products. The new strategy was supported by the specific ownership structure of the company. E is a cooperative, with its main suppliers, farmers belonging to the Italian milk sector, also being the main shareholders of the cooperative. This specific company set-up also allows direct control of the supply chain: "*This generates a strategic advantage for the company that differentiates itself from competitors. At the same time, it creates benefits for the consumers that buy a high quality product and favour the survival of small milk farmers. This establishes a strong relation between the company and the territory where it operates"* (CSR manager company E). CSR issues are so relevant for the company's strategy, that they led to the development of a 'balance sheet of intangibles', with the aim of measuring the impact of several factors directly correlated to CSR (such us product safety, certified product quality, company reputation and control of the value chain) on the improvement of the company's key performance indicators.

Company F operates in the homeopathic medicine market and its mission is "*to look after people and make them feel better*" (Company F web page). Not surprisingly, the company considers CSR as totally core to the success business: "*We do not do CSR, we are CSR. The interest of our stakeholder and the interests of our company are totally coincident.*" (CSR manager of 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 made freely available to everyone; it supports employee's charity work; it develops products and processes in partnerships with non-profit organizations (e.g. testing a new extraction process for natural oil, now used by a social cooperative in Ciad and developed in partnership with a local NGO; the study on the therapeutic potential of indigenous populations' medicines, in collaboration with an NGO operating in Cameroon).

The values and the DNA of these companies seem to have a strong influence on their attitude towards CSR, confirming what already highlighted by previous studies' (e.g. Maccarrone, 2009) and compensating for the scarcity of formalization. This is the reason why I gave them the label of *values driven.*

With respect to formalization, the three firms adopt very different approaches.

Company B is quite suspicious of formal tools. It implemented the minimum set of tools required to match competitors' standards: they adhere to the ethical code for their sector and they publish on an industry-specific website a report about key initiatives and main improvements on a yearly basis. They don't perceive the sustainability report as something critical for their business: "*We prefer employees to stay close to our processes, to tangibly improve their efficiency and quality, rather than writing a report about it*" (CSR manager company B). The company shows a similar attitude towards certifications: "*We are interested in the management system, not in the piece of paper*" (CSR manager company B). In general "*This company, consistently with the attitude of the founding family, is much more worried about essence than appearance, and therefore B is much more committed to doing things than communicating them*" (Company B CSR manager).

Conversely, company F is moving towards a higher degree of formalization. The ethical code was introduced in 2008, the sustainability report in 2009 and the company is now working on the introduction of a CSR performance monitoring system, possibly based on GRI, and on the achievement of SA8000 certification. During interviews, the CSR manager listed the main reasons behind this process of formalization: a response to external accountability requirements, a willingness to bring together the numerous initiatives of the company, an effort to develop a common culture and enhance team building and to improve company's reputation.

Finally, company E is actually reducing its level of formalization: it is no longer drafting a sustainability report and it has abandoned the SA8000 certification. The main reason provided by the company is the need for cost savings, suggesting that they don't believe in the potential of these tools to create value for the company.

In relation to the reasons of their scarce formalization level I can also underline that the three companies are smaller than the others of the sample. Their lower level of formalization can be partially due to the scarcity of financial resources, as affirmed by previous research (Russo and Tencati, 2009) and to the less intense institutional pressure due to the fact that they are not listed on the stock exchange.

The description of these companies' behaviour provides an answer to the first research question. These companies could reach an high level of integration between CSR and strategy, even without a comparable level of formalization. However, their high integration is justified by several firm-specific 'soft' factors that facilitate the coincidence between companies' strategy and CSR issues. Their approach toward formalization can be even suspicious, as in the case of companies B and E, or they can move in the direction of an higher level of integration in order to better exploit the reputational impact of CSR commitment, as in company F. In any case they seem not to need formal tools to support the integration of CSR into corporate strategy.

1.5.2. The role of formal tools

This section summarizes the results I obtained with respect to the second research question concerning the role of formal tools.

In line with the results of previous studies (e.g. Poksinska et al, 2003; Adams, 2004; Stevens et al, 2005; Perrini, 2006), all companies acknowledged the positive influence of formalization in terms of external accountability and reputation. Even the less formalized companies recognize the reputational impact of formalization and external communication of CSR initiatives. Company B's ethical code has been drafted in close collaboration with the marketing team, in order to improve its reputational impact: "*The CSR team (three, part-time resources, dedicated to CSR issues) works in close collaboration with the marketing function. The formalization of the ethical code has been finalized with the support of the marketing people, who better understand market expectations*" (CSR manager company B). The CSR manager of company F stated that one of the main reasons why the company is moving toward a higher level of formalization is the potential effect on the company's reputation: "*Last, but not least, we decided to introduce a sustainability report for reasons of brand reputation. Our brand is already trustworthy, but this process will reinforce it further, and this is important also because our main customers are medical doctors and pharmacists that give relevance to these formal aspects*".

In order to identify other roles of forma tools beside the reputational one, I focused on companies having a high level of formalization.

In all these companies CSR formal tools (particularly value statements and ethical codes) have supported managers in <u>building and internally promoting a shared culture of CSR,</u> especially in countries with very different cultural background. Also *values driven* companies that adopted ethical codes recognize them this role of cultural cohesion.

In all the highly formalized companies the empirical analysis also pointed out the support of formal tools in <u>improving prevention and management of reputational, CSR-related risks</u>. In particular, the integration of CSR issues in the risk management process is the prevailing element of the CSR approach of those companies having a *high level of formalization*, but a *low level of integration*, company A and K in the sample.

These two companies correspond to Porter and Kramer (2006)'s cosmetic companies. They are mainly interested in the cosmetic power of CSR formalization, but they also use CSR formal tools to proactively manage, reduce and where possible, avoid reputational risks. In company A, the CSR function is integrated with its 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, in 2008 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). The company is working to join ethical ratings, mainly to reduce financial risks: "*when ethical funds enter 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 our financial risk"* (CSR manager company A). Company K created a Reputational Risk Management Framework and established a Reputational Risk Committee (RRC): "*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*." (Company K sustainability report). Due to these evidences these companies can be addressed as *risks 'mitigators'.*

Companies matching a *high level of integration* with a *high level of formalization* (company C, D, G, H, I, J) seem to attribute a more strategic role to formal tools, that are used to highlight potential performance improvement and act as a catalyst of product and process innovation.

They value certifications not for the label that comes with them, but because of the practical, operational benefits of the management systems behind them. Company G's CSR manager describes certifications as a "*fundamental governance tool*" useful for many reasons, such as "*the identification of critical areas, issues and corrective actions; the coordination between functions; the acquisition of inputs for the definition of investment plans; the monitoring of suppliers performances*". Company H chose what certifications to implement based on the operational benefits they can provide: "*A plant's ISO9000 is highly visible 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 in terms of energy saving the results are potentially very significant*".

The sustainability report also assumes a strategic role. For company C, for example, it provides a different lens for reading financial statements: "*Take for example R&D expenses in renewable energies: in the financial report they are capitalised and they are depreciated, which means that they are investments that are supposed to generate patents and profits in the future. In the sustainability report they are also attributed an intangible value for their positive impact to climate change: this information helps stakeholders and shareholders to fully understand the strategic importance and the potential value can be created by this kind of investments*". (CSR manager company C)

With respect to ethical ratings, companies D, H and J's 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 things that we do because we chose to, and others that we implement to comply to ethical ratings; employees engagement, for example, is something we started because a rating agency asked us to do it, but in the end it delivered significant benefits in terms of employee productivity and motivation*" (CSR manager company D).

The use of formal tools in these companies appeared to support the integration of CSR issues into the innovation strategy of the firm: this is the reason why I address these companies as *innovators*. They help them to develop a more structured approach to CSR and to systematically identify areas for improvement, which eventually turn into innovation opportunities that are able to provide competitive advantage while creating socio-economical benefits, as testified by the following examples.

Companies C and D, operating in the utility and energy sector, have been able to move ahead of their competitors into new and growing areas of business such as renewable energies, 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 renewable energies. Its CSR manager stated: “*We aim to become leaders in renewable energy production and 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 has created a department called 'Bank and Society Laboratory', operating in collaboration with the CSR department, that develops new banking products for those segments of the society which struggle to access credit, such as non-profit organizations, immigrants, students or poor families. In Company J, CSR represents a relevant driver of product and service innovation, both in terms of reducing their environmental impact (e.g. intelligent transport systems, digital inclusion solutions) and improving the benefits they may deliver to the wider society (e.g. the development of telemedicine services or the creation of new products dedicated to disabled people, such as the visually impaired and the deaf).

The results I obtained, that provide an answer to the second research question, are summarized in table 1.5. It collects the main interviewees' statements with respect to the role the CSR managers attribute to formal tools in integrating CSR in the corporate strategy.

Company	*Level of integration*	*Role of formalization*		
		Diffusion of a shared culture	*Risk prevention and management*	*Operational support*
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 for entry in ethical rating 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"
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 employees focus groups."	"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"	"The ethical code is a guide for all employee behavior, particularly those operating in difficult countries, where the risk of corruption is higher"	"A plant's ISO9000 is highly recognizable because data on efficiency and waste are immediately available; […] plants certified as

		"Our sustainability report represents a managerial tool useful for internal communication in all the countries where the company has its branches"	"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"	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"
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."	

Table 1.5. The roles of formalization

1.6 Conclusions

The purpose of the present research is to contribute to existing literature on strategic CSR, on two specific issues: firstly, I intended to investigate if and to what extent CSR formalization tools are needed to integrate CSR into corporate strategy. Secondly, I aimed to understand what is the role played by formalization tools in this integration.

With respect to the first research question, comparing the two dimensions of formalization and integration for the 11 companies of the sample I find out that for the majority of them a high integration of CSR into business strategy corresponded to a high level of formalization (*innovators* companies). However, there are some exceptions, testifying that the two dimensions of integration and formalization are not so strictly related. *Value-driven* companies are characterised by a high level of integration of CSR into corporate strategy, but a lower level of formalization: this is justified by the strong ties between the companies' mission and values and the issues of CSR, and by some peculiar features of these companies (i.e. their dimension and property structure). On the contrary, *risk-mitigators* are characterised by a high level of formalization, but a lower level of integration of CSR into corporate strategy. As 'cosmetic' companies of Porter and Kramer (2006) their formalization prevails on the integration of CSR into strategy because they are mainly interested in the reputational impact of formal tools, but they also use such tools in a proactive way, in order to anticipate, manage and, when possible, avoid reputational risks

With respect to the second research question, what emerged is that the role that formal tools play in the integration of CSR strategy into overall corporate strategy depends to a great extent from company to company. In particular, companies that I labelled as *values-driven* can benefit from these tools (at least for the few they implement) in terms of reputation and cultural integration, but they do not make the most of them to better manage their risks. *Risk mitigators*, on the contrary, improve their capacity to reduce CSR-related risks, but they do not see the strategic roles of these instruments and therefore they do not exploit them to support their learning and innovation process. This happens instead for the *innovators* companies, which use the formal tools in order to adopt a more structured approach to CSR and to develop a positive cycle of continuous improvement, thus supporting product, process and organizational innovation.

Looking at the limitations of the analysis, the higher concentration of companies in the *innovators* category (which is in contrast with Porter and Kramer (2006)'s results) may derive from a bias in the sample selection criteria. I looked at CSR best practices, which led to a portray not fully representative of the Italian business environment. However, this was not the purpose of the research and this choice enabled the author to obtain better results in terms of the role of formal tools. Moreover, also geography might be part of the explanation of the different results I obtained with respect to Porter and Kramer (2006). Indeed, they were looking at American companies while the present research is focused on European (Italian) companies. Matten and Moon (2008) confirm that the approaches to CSR of American and European companies are quite different, based on a more 'explicit' CSR in the US and on a more 'implicit' CSR in Europe.

The present study also opens up opportunities for further research. Drawing on the definition of CSR formalization and CSR integration given in section 1.2.2 and the different way they could be measured, an interesting follow-up on the present research would be to repeat the analysis on a wider sample of companies. That would help to further validate the strategic roles of formal tools I identified and to verify their effectiveness, through empirically testing their impact on specific strategic elements, such as innovation performance or risk reduction.

APPENDIX

	Company A	Company B	Company C	Company D
Centrality	Sustainability initiatives of the company framed within a project called A-Future: the focus of the project is finding ways to innovate primary elements of each sales point (structure, interior fixtures, lighting, air conditioning, water supply, furnishings, equipment) and developing products (the type of raw materials, reducing and recycling packaging, etc.) with a view to eco-compatibility and economic efficiency.	Focus on environmental issues. The first press article describing the willingness on the company to focus on green-products dates back to 1994. The company's initial commitment in sustainability started when they began to sell products also in north European countries where environmental standards are more restrictive. Now they compete to meet the latest energy efficiency and environmental protection targets: "These targets do not mean higher costs only, rather a trigger for improving product quality and encouraging consumers to replace their outdated, energy-thirsty products with new, better performing, environment-friendly ones."	Environmental sustainability and green innovation are pillars of the differentiation strategy (26% of its investment according to the 2010-2012 investment plan). Innovation strategy is oriented towards renewable energy sources, through an intense research and innovation effort. This strategic choice of the company is testified by newspapers' articles describing the decision of the company to focus on green energies. The company has created a new society of the group dedicated to renewable energies that is investing in all kind of renewable energy (solar, wind, hydroelectric, geothermic, biomass), where it wills to reach the leadership in Europe.	Environmental issues guide the company's innovation strategy. The company drafts a Technology Report, that "provides an outline of the key decision to put technological innovation at the heart of the company's strategy for sustainable development." The main initiatives of the company for the development of the territories where it operates are defined in Memorandum of Understanding signed by the company and the Government of that countries. These partnership models are the key element through which the company manages the relationships with the producers countries and thus assure its own provision of rough material.
CSR objectives	CSR objectives are mainly qualitative and generic (Progressively reducing workplace accidents; Focusing on Diversity Management; Further involving stakeholders in projects and internal initiatives; Defining environmental criteria to be added to supplier evaluation). They are not included in management's reward system.	Company strategic objectives are strictly related with the environmental sustainability issues. The main objectives related to environmental performance and to products quality are included in the MBO reward system of top management.	CSR objectives are defined in the multi-year 2009 - 2013 Industrial Plan. The specific sustainability plans of the operating units, based on the Planning Letter diffused yearly by the Chief Executive Officer, are included in managers' individual target plan. These individual objectives are included in the MBO reward system of the top management of the firm.	Sustainability objectives and action plans are part of the strategic plan for the 2009-2012. Among long term strategic objectives two are related to sustainability: Apply the highest principles of business conduct. Promote the sustainability of the business model. The CSR objectives are included in the MBO reward system of the CEO and of all its direct subordinates.
Stakeholder involvement	Traditional tools provided for the dialogue with customers. No specific tools developed for the dialogue with other stakeholders categories.	The involvement of stakeholder is achieved only through traditional tools (a public relations department manage the company's relations with public institutions and media; each commercial partner is followed directly by a Key Accouter; several tools to monitor and improve customer satisfaction)	The Large-scale Infrastructure Projects Unit within the External Relations Department discusses with communities representatives the most critical decisions in terms of the infrastructures building. The company created an Observatory for Industrial, Environmental and Labor Policies made by 12 members, six appointed by the company and another six from labor organizations.	There are a 'Community Relations' and an 'International stakeholder engagement' managers within the 'Stakeholder engagement and community relations' area of the Sustainability department. Memorandum of Understanding and Agreement Protocols are signed with governments and public institutions of the countries and regions where the company operates. 'Public forums' for the direct dialogue with local communities are used to involve them in episodes of oil spillage.
Partnerships with the nonprofit sector	Only one project realized in partnership with a nonprofit organization (lo Spirito di Stella) to apply 'Design for all' principles in designing the company shops. The other relations with the third sector are related to donations of funds and goods.	Many partnerships with NGOs related to sensitization on the topic of water waste (example: collaboration with AMREF to develop a training kit for children on the topic of water management that have been diffuse in schools also through the support of the company's employees). Partnership	Project 'Energyfor' (a container of projects in six areas: culture, music, science, environment, education, and sports) in partnership with both public and private institutions and with organizations engaged in the development of local communities. The company actively participate (mainly	Coherently with Memorandum of Agreement, the company develops projects in collaboration with governmental bodies and local NGOs (e.g.: collaboration with Amnesty International for completing the recovery of sites, defining ways of re-using gas in the

		with the Carbon Footprint association to monitor and reduce CO2 emissions (five products for a green kitchen certified by Carbon Footprint).	through employees' voluntarism) at the development of the project that are always related to the topic of energy and renewable resources.	production of electricity for domestic use).
CSR department	*Internal Audit and CSR function* directly reporting to the company CEO. The department includes the CSR and internal audit manager, the CSR manager for Europe and the Internal audit manager for Europe.	CSR issues managed by a group of two people belonging to the marketing department and not full-time dedicated to CSR.	CSR and Relations with Associations Unit belonging to the External Relations Department. 6 people work in the Unit, that directly refers to the company's CEO.	Sustainability Unit, which operates within the Public Affairs and Communication Department (directly reporting to the CEO), made of 15 people and divided in two main areas: "Planning, reporting and professional community" and "Stakeholder engagement and community relations".
Ethical code/Code of conducts	Code of ethic approved in 2002 and Equal Employment Opportunity Policy.	Code of Conduct and Environmental Policy drafted in 2003.	Ethical code approved in 2002 and revised in 2004; environmental policy and Health & Safety Policy.	Code of Practice from 1994. New Code of Ethics approved in 2008. Example of policies adopted by the company: *Indigenous Peoples Policy, Sustainability Policy* for Nigeria, *policy for HSE management*
Reporting	Sustainability report compliant with GRI-G3 guidelines and audited by an external auditor.	No sustainability/CSR report	Sustainability report compliant with the GRI-G3 guidelines and certified by an external auditor. .	Sustainability Report, compliant with the GRI-G3 guidelines and certified by an external auditor.
Certifications	Italian perimeter of the company: ISO14001, EMAS, SA8000, ISO 9001, OHSAS 18001 certifications Spain: ISO14001 and ISO9001 for 6 of the company's stores. Great Britain: ISO14001 certification for the majority of the stores located in the airports. ISO9001 and SA8000 certifications.	ISO9001 certification in all the Group plants.	EMAS certification for more than 50% of the effective produced power; ISO14001 for the 90%. Electricity distribution network certified according to the ISO 14001 standard, the OHSAS 18001 standard and the ISO 9001 standard. Gas distribution network certified according to the ISO 9001 standard.	All of the company's key operating unit management systems obtained ISO 14001 certification. EMAS registration (site- or sector-specific) for production units in Europe. Numerous foreign associated companies, petrochemical plants and gas pipelines obtained the certification integrated with safety management systems (OHSAS 18001), quality management systems (ISO 9000) or both.
Ethical ratings	No rating.	No rating.	Listed on the Dow Jones STOXX Sustainability Index (DJSI STOXX) and on the Dow Jones Sustainability World Index (DJSI World).	Listed on the DJSI and the FTSE4good. In 2008, *best performer* in its sector in the DJSI.

	Company E	**Company F**	**Company G**	**Company H**
Centrality	In the '90s the company on the brink of collapse reformulated its business model according to criteria 'instinctively' inspired to sustainability: the option of high quality, the involvement of internal stakeholders and the economic-financial disclosure, i.e. an open and transparent approach with the banks. Three out of 6 key success factors related to CSR, namely: integrated management of the production chain; policy of high quality and certified safety;	The company seems to identify its strategy with its social responsibility: "The interests of the community coincide with the interests of our shareholders." Coherently, the company adopt a 'No patent' policy for the results of scientific research, by waiving any right to protection by means of patents or copyrights, in order to "avoid that the interests of businesses take priority over the more diffuse interests of public health".	Environmental sustainability is strictly related with the key success factors of the firm, especially in the two business areas of water provision and waste management (e.g. increasing separate waste collection with the subsequent recovery of materials; decreasing landfill disposal of waste, and recovery of energy from waste; limiting subsidence resulting from groundwater collection; reintroduction of water into the environment (sea and rivers) following	The Group aims to anticipate market trends and requirements through a strategy focused on environmental issues and optimization of resources. Examples: special cement products aimed at providing a genuine industrialized solution to the problem of pollution in cities (photocatalytic principle for cement products which can reduce organic and inorganic pollutants that are present in the air; new range of high-tech, eco-compatible

	institutional reputation improvement.		process downstream from collection by sewerage systems and required treatment.)	sulfoaluminate clinker-based products); eco-housing (100 sq.m house costing 100,000 euro, designed to combine energy savings and reduce financial outlay).
CSR objectives	E takes an integrated approach towards quality, with objectives that are not only financial, but ethical and environmental as well. The objectives related to these issues are included in the MBO of all the managers of the company.	Specific and quantitative CSR objectives (e.g. SA8000 certification; scholar project in Malawi; GRI compliance; % reduction of chemical waste; % improvement of training hours, etc.) not included in the reward and incentive system of managers.	Balanced Score Card system extended to all senior and middle management. 'Balanced' objectives are distributed over four areas: development, quality and corporate social responsibility, organizational integration, efficiency upgrading. Senior and middle management remuneration system is linked (15%-20%) to the achievements of target set in the BSC.	Quantitative targets and specific dead line for CSR objectives. The CSR objectives are included in the MBO system of the company's top management.
Stakeholder involvement	Workshops organized every two year involving about fifty stakeholders of high profile (presidents, CEOs or executives, representatives of suppliers, clients, environmental associations, financial institutions, administrative institutions, consumer associations).	One-to-one interviews with the employees; focus groups dedicated to the dialogue with the commercial network of the company; direct visiting to the main social and public institutions near the plant. Annual stakeholder meeting with the scope to enable the different stakeholders to dialogue among each other.	Residential Advisory Boards created near to the most critic plants of the company mad of members elected by citizens and company's representatives.	'Open door' activities that give the opportunity to all the interested stakeholders to visit the plants. Steering committee created and chaired by the Human Resources Director with the participation of several managers from head office and plants that intervenes in case of restructuring.
Partnerships with the nonprofit sector	Long-term partnerships with nonprofit organizations for the development of projects where the company is involved in terms of project design and employees participation (e.g. creation of a dairy in Tanzania)	Several projects in cooperation with the third sector. Example: partnership with Accra in Cameroon and Ciad focused on the development of an innovative extraction process for an homeopathic oil used by the company. Now the vegetable oil is produced and sold by a local social cooperative.	Pre-treatment project for electrical and electronic appliance waste developed in prisons with the primary regional educational agencies and several Italian Municipalities). Partnership with Fondazione ASPHI, to promote the skills and potential of differently-able people in the company, analyzing their satisfaction levels, improving their work and carrying out professional requalification activities.	Corporate giving to nonprofit organizations (for example cement donation to the Cancer Association for the construction of the Health and Hope Oasis, a supportive care centre for children in cancer treatment).
CSR department	No organizational department dedicated to CSR. CSR manager belonging to the Internal communication department.	External consultant	Corporate Social Responsibility Unit under the responsibility of the CEO. Another Unit dedicated to the "Integrated management of Quality, safety and Environmental policies (QSA)"	Sustainable Development Department, directly reporting to the CEO. The Department is divided in four main areas dedicated to the following topics: health, climate change, safety and social.
Ethical code/Code of conducts	Ethical code of the company and social policies toward all its stakeholder categories.	Code of ethic	Charter of values, Code of Ethics, approved on 2007.	Value chart and environmental policy statement
Reporting	NO	Sustainability report not GRI compliant and not externally certified	Sustainability report compliant to GRI-G3 guidelines and certified by an external auditor	Sustainability report not GRI compliant and not externally certified
Certifications	All the group's production facilities ISO 9001 certified.	ISO 9001 certification. They are working to obtain the SA 8000.	ISO 9001, ISO 14001, EMAS, OHSAS 18001, ISO 27001 (certification of information security management systems) certifications.	Several plants reached ISO14001 or EMAS and ISO 9001 certifications. Plants in developing countries are SA8000 certified.
Ethical ratings	No rating	No rating	No rating	Listed in the Dow Jones Sustainability Index

	Company I	Company J	Company K

Centrality	The Bank and Society laboratory, whose mission is to extend the boundaries of credit provision, is 'R&D department for social innovations of the bank'. This laboratory, staffed directly under the CEO, in the last three years has focused on the study and design of new innovative banking services for classes of potential customers generally rated as 'non-bankable', such as students, social enterprises, laid off workers, and householders with non self-sufficient members. The effort of the laboratory lead to the creation of a new bank of the group exclusively dedicated to the third sector and to the financing of social enterprises (for the first 10 years this branch of the bank will remain non-profit)	The 'hot topics' in terms of sustainability are all strictly related with the company core business (e.g. digital inclusion, electromagnetism, minor's defense). Innovation goals are related to environmental issues (ensure lower energy consumption and a reduction of electromagnetic fields; select new Broadband equipment considering their energy efficiency in order to minimize environmental impact and contain customer energy expenditure; development of intelligent transport systems and services to enable people to use means of transport and infrastructures more efficiently, more safely and with less impact on the environment). Development of several innovative products that are able to provide a social benefit, like the telemedicine services, or the products addressed to elderly and disabled designed with the aim to reduce the digital divide.	Initiative related to the business of the bank activated in response to negative events that undermined its reputation. Example: in 2006 the bank funded a nuclear plant in Bulgaria, in an area that was later discovered to be seismic. This event lead to the definition of a clear policy for risk management in nuclear funding, discussed with Greenpeace activists. After the bankrupt of an Italian company whose derivates were sold by the bank, it created in collaboration with the consumers association a committee that independently evaluated the controversial cases and took decisions in terms of their refunding.
CSR objectives	CSR objectives are quite generic and broad and not expressed in quantitative terms. CSR objectives are not considered in the system of reward and incentives.	Sustainability objectives are part of the 2009-2011 strategic plan and are defined through a systematic procedure: identification of areas for improvement of sustainability performance; comparison of these improvement areas with investment projects; definition of specific targets; monitoring. Sustainability objectives are included in the variable remuneration system	CSR objectives are not clearly specified. None of the strategic objectives established in the strategic plan 2008-2010 is related to sustainability. They are not included in managers reward system.
Stakeholder involvement	Engagement program launched in 2007 with the scope to verify the consistency of Bank activities with commitments assumed and the level of awareness of the sustainability approach adopted by the Group. The program ended with a multi-stakeholder" workshop in 2008 involving the bank's managers and a qualified selection of opinion leaders, customers, members of the financial community, research institutes, universities and NGOs, with discussions held in four specific topic: Environment and Energy; Macroeconomic trends and Social globalization; Population and immigration; Quality of life. The workshop is repeated yearly since now.	Communication with stakeholders is achieved through traditional tools, with particular attention to the involvement of consumers.	Creation of Territorial Committees, that are advisory bodies, comprising a variable number of external members, selected from key figures in the worlds of business, trade associations, local independent bodies, culture, charitable organizations, research in specific territories, segment bank managers. The Territorial Relations Department was created in 2008 with the purpose to strengthen relations between the bank and the local context and to study new business opportunities coming from social necessity.
Partnerships with the nonprofit sector	Numerous long term partnerships between nonprofit organizations and the "bank and society" laboratory (e.g. partnership with a social enterprise network for the founding of new nurseries). The role of the nonprofit organization is usually to provide competencies on the social project and nonprofit organizations developing them, in order to enable the provision of credit without asking for real guarantees.	Several partnerships with public institution and NGOs in which the company is operatively involved. Some examples: collaboration with Social Policies Councils and Volunteer Associations of the towns involved, aimed at providing free assistance at home to the over 65s; partnership with a non-governmental institution to improve the economic activities of small and medium businesses through the use of mobile telephones. Non profit associations are also involved in the development of new products, such as the e-healthcare services or the mobile phone for deaf people.	Sponsorship of nonprofit institutions operating in the field of healthcare, culture, and sport.
CSR department	Corporate Social Responsibility Unit directly depending from the CEO with 10 people employed, each one responsible for one specific CSR topic. In each Department there is a CSR Delegate (for a total network of 50 people).	Sustainability Group team of 12 people, part of the External Relations Department and reporting to the CEO. It is divided in two areas: the Management Control area responsible for reporting and the Planning area responsible for planning. The group is supported by a network of referents and data	The Corporate Sustainability Unit was established at the end of 2008. "The Group Identity and Communications Department, through the 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

		owners, operating in all business units and central functions.	overall impact of these issues on the company's reputation."
Ethical code/Code of conducts	Code of Ethics. Arms policy and Environmental policy.	Code of ethic. Policy statements related to environment, customers, suppliers and social issue.	Integrity Chart. Policies developed referencing major international agreements including Global Compact, World Bank standards and the Equator Principles
Reporting	Sustainability report compliant with GRI-G3 guidelines and he Italian Banking Association's Stakeholders' Report. It is certified by an external auditor.	Sustainability report compliant with GRI-G3 guidelines and certified by an external auditor.	Sustainability report compliant with GRI-G3 guidelines and certified by an external auditor.
Certifications	ISO9001, ISO14001 and ISO27001 certification.	ISO9001, ISO14001, OHSAS 18001; ISO27001 (data security) in the department of the company that have a major impact on products and services.	ISO14001 and EMAS certifications.
Ethical ratings	Listed in the FTSE4good	Dow Jones Sustainability World Indexes (DJSI World); Financial Times Stock Exchange for Good (FTSE4Good)	Dow Jones Sustainability Index (DJSI) and FTSE4Good Index Series.

Table A1. Description of integration and integration variables in the analyzed companies

Chapter 2[4]

An Analysis of the Managerial and Organizational Enablers of CSR-driven Innovations

[4] This chapter is at the basis of the paper ”An analysis of the managerial and organizational enablers of Corporate Social Responsibility-driven innovations: the case of Intesasanpaolo”, coauthored by Paolo Maccarrone and Federico Frattini. It has been submitted to *Business Ethics: a European Review*.

2.1 Introduction

There is empirical evidence showing that a strong commitment toward CSR can push the company to develop innovative products and services with a high social and environmental value (see, e.g., Padgett and Galan, 2010; Wagner, 2010). These innovations are named in literature *CSR-driven innovations* (or, similarly, *sustainability-driven* or *corporate social innovations,* CSR-DI in the following) and can be defined as "new market spaces, products and services or processes driven by social, environmental or sustainability issues" (Keeble et al, 2005: 3). They open up new business opportunities for the firm and are often a source of competitive advantage, thus reconciling CSR and business profits (McWilliams and Siegel, 2001; Hull and Rothenberg, 2008; Maxfield, 2008; MacGregor et al, 2010).

Unilever, for example, turned to groups of local women for the distribution of its products in the remotest rural areas of India, where traditional distribution channels proved to be ineffective. This represented a great opportunity of economic development for these women and their villages, on the one side, and at the same time an opportunity for Unilever to enter this new market (WBCSD, 2005). Snaidero (an Italian producer of kitchen furniture)'s 'SkyLab' kitchen designed for people in wheelchair is another example of this type of innovation, which rapidly became one of the most successful commercial products of the firm, due to its simple and comfortable design (Verganti, 2009).

These examples highlight the increasing importance attached to CSR-DI by firms working in different industries. Anyway, no attempts have been done so far, to best knowledge of the authors, to analyse what levers a firm can act upon in the implementation of its CSR strategy to improve its ability to identify and develop CSR-DIs. Since this type of innovation is increasingly regarded as a tool that enable firms to generate profitability while creating social benefit, this gap appears to be particularly important to address. Accordingly, this chapter aims to provide exploratory evidence of how a firm manages and organizes its CSR activities so that the identification and development of CSR-DIs is facilitated.

To this aim, the article discusses the experience of IntesaSanpaolo (or ISP), the largest Italian bank. The CSR strategy of this bank is primarily focused on the development of CSR-DIs, which are aimed at expanding the credit disbursement to disadvantaged social categories that cannot provide real or personal guarantees. These innovative products and services have been acquiring an increasing relevance in ISP's strategy and operations and have been included among the pillars of the strategic plan for the period 2011-2015. For these reasons, ISP case study appeared to be particularly useful for the purposes of this research and it allows to study the phenomenon of interest under insightful and exemplary circumstances.

The analysis of the case study, informed by established theories from the CSR and innovation management fields, unearthed several organizational and managerial aspects to which ISP pays particularly attention as they are able to streamline and foster the development of CSR-DIs. These findings are of particular interest to both scholars and practitioners. The latter will find several clues regarding the management of CSR processes that could be adapted to and applied in their organizations. The former will be encouraged to further study how established theories can be used to shed light on the interesting and under-researched topic of CSR-DI management.

The structure of the paper is as follows. First it will review the relevant literature regarding the relationship between social and environmental issues and innovation. Afterwards, the rationale for using a single case study and the methodological details of the empirical analysis will be presented. The case study is presented in the results section, whereas the discussion section summarises and discuss the main findings of the analysis. Finally, the last section concludes and outlines avenues for future research.

2.2 Literature review

The most developed streams of research addressing both socio-environmental issues and innovation are known with the terms 'eco-innovation' (or 'green-innovation'), 'base of the pyramid' and 'socially responsible design'.

Literature on eco-innovation investigates the integration of environmental issues in the innovation of products and processes (see, for example, Foster and Green, 2000; Phillimore, 2001; Berchicci and Bodewes, 2005). According to Bansal and Roth (2000), firms may invest in eco-innovations given their social responsibility commitment and their desire to act in a correct (ethical) way, preserving natural resources for future generations. While pursuing this environmental objective firms often gain also competitive advantages, due to increased efficiency, reduced costs and gain of a premium price from the most sensitive consumers (Manning, 2004; Triebswetter and Wackerbauer, 2008; Reinhardt, 2008). Patagonia company, for example, innovated its production processes and value chain in order to realize its sportswear using only non-polluting materials, such as biological cotton, instead of fabrics derived from oil. This choice was determined by the company's environmental-oriented culture and values, but it also became the main differentiating element of its value proposition and it created great brand recognition within the apparel industry and amongst consumers (Pongtratic, 2007).

The Base of the Pyramid literature studies the business opportunity to address a new unexplored market area at the bottom of the social pyramid (Prahalad and Hammond, 2002), that is made of the two billion people living with less than 2.5$ a day. When entering markets in developing or emerging countries, companies innovate their products and processes and sometimes their entire business models in order to respond to the needs of the local populations (Prahalad and Hart, 2002). Doing so they generate a consequent social benefit deriving from the inclusion of poor countries' population in the market and company's value chain (Jenkins, 2009). An example is the mobile phone created by Safaricom, Vodafone's African affiliate. In order to fit the needs of rural villages' population, this innovative phone is made of fully recyclable materials and it is rechargeable through solar energy, so that it can be used also in areas where electricity might not be provided (or can be very unreliable). This innovation led to an improvement of communication between rural villages and a consequent increase of safer commercial transactions (GSMA Development Found report, 2009).

'Design for all', 'design for environment' and, more broadly, 'socially responsible design' is defined in the literature as the use of design to address social, environmental, economic and political issues (Davey et al, 2002). Even if the main focus of this body of literature is on the technical design of products or services (Papanek, 1985; Whiteney, 1993; Dearden et al., 2007), the social and/or environmental benefits provided by this kind of innovations are evident. An example is the case of Snaidero, an Italian producer of kitchen furniture. The company designed a kitchen specifically for the needs of disabled and elderly people. The initiative was driven by the established orientation toward CSR of Snaidero: the aim of the company was to improve the degree of independence of these disadvantaged people in their daily life. However, this novel product opened up a new and profitable (although not large) market. What is more, over time the new kitchen, due to its innovative design and simplicity of use, became very much appreciated by Snaidero's mainstream customers and turned out to be one of its best-selling items due to its simplicity, its comfort and its innovative design (Verganti, 2009).

The incipit for the development of similar innovations can spread from the business strategy of the company, its willingness to enter into unexplored and growing market areas (as in the case of BOP innovations), to conquer new niche consumers (as for 'design for all' product and services) or to gain cost or differentiating advantages (as for green innovations). However, the examples quoted above show the possibility that the business advantages emerge as indirect consequences of an innovation driven by the CSR commitment of the company (Snaidero and Patagonia case studies are quite explanatory in this sense). This evidence confirms that CSR can represent an important driver of innovation, and in turn CSR-DIs can improve a firm's competitive advantage.

Literature provides many insights regarding how CSR can be implemented and managed (see, e.g., Maon et al, 2009; Sharp and Zaidman, 2009) and suggests many organizational (e.g. establishment of a CSR unit (Graafland et al, 2003; Maon et, 2008)) and managerial (e.g. strategic stakeholder management (Freeman, 1984)) aspects that can support the effective implementation of CSR. However, despite the potential strategic relevance of CSR-DI, to the best knowledge of the author it has not been investigated so far how companies can manage and organize their CSR activities so as to facilitate the development of CSR-DI on a continuous and systematic basis. This testifies to the importance of the research question addressed in the paper, i.e.: how can a firm manage and organize its CSR activities so as to improve its ability to generate and develop CSR-DI?

2.3 Methodology

Considering the exploratory nature of the research project and the importance of ensuring an in depth analysis of the phenomenon from different perspectives, both internal and external to the firm, the most appropriate methodology appeared to be a single case study (Yin, 2003). The selection of the case was based on the combination of ongoing research activities and theoretical interest (Siggelkow, 2007). ISP CSR strategy and organization have been deeply investigated in the previous phase of the research (chapter 1). That analysis enlightened the development of CSR-DIs as one of the most important elements of the CSR strategy of ISP. These innovations consist in new services created to enlarge financial inclusion to disadvantaged social categories, such as non-profit organizations and social enterprises, immigrants, unemployed people, or others who cannot provide sufficient real or personal guarantees such as students and small and medium enterprises. Some of these products and services have successfully been included in the company's commercial offer and they are gaining a major relevance in ISP business strategy, as can be noticed by looking at the bank's 2011-2015 business plan. This suggests that ISP is a particularly appropriate case to study the phenomenon of interest.

As regards the sources of data, it is necessary first to briefly describe how ISP is organized. ISP was born in 2007 from the merger of Banca Intesa and Sanpaolo IMI and it is now the market leader in Italy in every area (retail, corporate and wealth management*)*, with a market share near to 20% in most Italian regions. ISP operates also in central-east Europe, Middle East and Northern of Africa. The bank has a divisional structure, as shown in Figure 2.1.

The Head Office Departments comprise both the CSR Department and the Bank and Society Laboratory (hereafter ‘Laboratory’ for simplicity), which is the organizational structure dedicated to the development of CSR-DIs. Banca dei Territori (the domestic commercial banking) is responsible for retail customers, private customers and SMEs. This division comprises all the territorial branches of the bank, Banca Prossima (BP, the bank of the Group dedicated entirely to non-profit organizations), Mediocredito (the bank dedicated to SMEs), and other banks dedicated to specific client segments.

(1) *Domestic commercial banking*

Figure 2.1. Bank structure

The main data source used for the empirical analysis has been direct, face-to-face interviews, for a total of around 50 hours of tape recorded interviews. I involved in data collection five ISP employees and two people belonging respectively to Politecnico di Milano and Consorzio Gino Mattarelli (an Italian network of social enterprises), both partners in the Laboratory’s projects. Table 2.1 gives details of the people interviewed, indicating the company or group they belong to and how many interviews were undertaken with them.

This information was complemented and triangulated with material from secondary sources, i.e. internal records and documentation regarding the firm’s CSR-DI projects, its sustainability balance sheets, other official documents (e.g., annual balance sheets, business plans, press releases) and press releases and publicly available data collected through the professional database www.lexisnexis.com.

Company	Role of people interviewed	Number of interviews
IntesaSanpaolo (*Head Office Departments*)	Coordinator of Bank&Society Laboratory	7
Banca Prossima *(Banca dei Territori Division*)	CEO of Banca Prossima	3

IntesaSanpaolo (*Head Office Departments)*	Corporate CSR manager	2
Banca Prossima (*Banca dei Territori Division*)	Responsible of stakeholder relations	2
Mediocredito (*Banca dei Territori Division*)	CEO of Mediocredito	2
Banca dei Territori Division	Front-office employee	2
Consorzio Gino Mattarelli	President	3
Politecnico di Milano	Full Professor	2

Table 2.1. The interviews

2.4 Results

The present section describes the CSR strategy of ISP and in particular the role of the Bank and Society Laboratory, which is the organizational structure that is responsible in ISP for the development of CSR-DIs.

The CSR strategy

The paths along which the bank is moving in its CSR strategy are mainly three: (i) the diffusion of the CSR culture at all levels of the bank and in its foreign branches; (ii) the improvement of the stakeholder engagement process; (iii) the innovation of core products and services in order to enlarge the access to credit to disadvantaged categories.

With regard to the first element of ISP's CSR strategy, the model followed by the bank is based on self-responsibility of the departments that are committed to ensuring application of the values and principles of social responsibility in their business activities. In this respect, a fundamental role is played by the 'CSR Delegates', appointed by the Heads of the relative departments and collaborating with the CSR Unit in the following tasks: identification of the social responsibility objectives for the department in question; management of relations with major stakeholders regarding the relevant issues; management and monitoring of projects underway; preparation of the Social Report; identification and management of cases of non-compliance with the Code of Ethics. As at the end of 2010, the Network counted approximately 55 Delegates across all Departments and Banks of the Group in Italy and 12 Delegates from the International Subsidiary Banks.

With regard to the stakeholder engagement process, it evolved significantly in the four years after the merger, as reported in the 'Stakeholder Relation Report 2007-2009'. In the first phase, the focus was primarily on solving critical situations, with a responsive approach. In the subsequent phase, the Bank went about systematically involving its stakeholders in risk management, reaching what the bank described as ‘integral strategic integration for sustainable competitiveness’ (Stakeholder engagement Report, 2007-2009), which refers to a systematic dialogue with stakeholders that lead to a joint definition of group sustainability strategies.

This ‘strategic integration’ was carried out through focus groups dedicated to the various categories of stakeholders. In 2008 ISP CSR staff organized the first multi-stakeholder forum: the addressed stakeholders were clients, collaborators and trade unions. On behalf of clients, for example, several actors were involved: the families client of ISP, in order to evaluate the appropriateness of the current offer to the specific needs of young people; large and medium corporate clients, to see how the bank could help them face the sustainability challenges in their industry (such as reduction of emissions, maintaining sustainability criteria while going international, respect of human rights); the consumer associations, to evaluate the efficacy of the actions undertaken by ISP to face up to the economic crisis (such as renegotiating mortgages, agreements with category associations for helping small and medium companies and unemployed people). Also NGOs were involved in order to propose strategy guidelines to the Bank on key and current issues such as the environment, immigration, globalisation. On the path of this positive experience, the bank organized multi-stakeholder involvement as a systematic process, whereby different stakeholders are addressed periodically with appropriate tools. With respect to NGOs, for example, in 2010, 9 international NGOs operating in Italy were selected based on the specific issue they are expert in and have been addressed through direct interviews in order to collect ideas on how the bank can contribute to mitigating environmental and social impacts through its role in the economy. Since 2009, the engagement process and its results are annually reported in a ‘Stakeholder Relation Report’, additional to the Social Report.

Beside these CSR development paths, the bank is committed toward innovating its core business in order to enlarge financial inclusion to those disadvantaged social categories that are usually excluded from credit provision. The development of these CSR-driven product and service innovations represents a central point of the CSR strategy of the bank, and is managed by the Bank and Society Laboratory.

<u>The Bank and Society Laboratory</u>

The Laboratory was created in 2002 by the CEO of Banca Intesa, now CEO of ISP. It can be described as “*the Bank R&D department for social innovation*” (CEO of BP), and its key mission is to enlarge financial inclusion: “*There are about 8 million people in Italy who do not have access to financial services: about 16% of the population, against the euro zone average of 7%. The most* *vulnerable social groups are those who do not have an on-going income, for example young people and immigrants, for whom "non access to banks" is often paired with social exclusion*" (ISP Social Report, 2010).

The innovative element of the Laboratory's products and services consists in the search for new solutions to provide credit without asking for real or personal guarantees that these social categories cannot provide. However, these innovations are designed in order to guarantee a limited risk exposure for the bank which makes them economically sustainable and replicable in the long run.

The Laboratory reports directly to the CEO of the Group and operates as an independent business unit, with its own dedicated budget. The size of the annual budget depends largely on the Laboratory's ability to generate new projects and ideas. Typically, the overall expenditures for each project is below 35,000 € (not including credit disbursement), and the Laboratory has carried out 17 projects since its foundation. Given the limited financial effort and the explicit sponsorship of the CEO, the Laboratory is quite free to decide how to allocate its budget, since no target financial returns (in terms of ROI, profits, etc) are set from the corporate level.

This peculiarity allows the Laboratory to operate quite differently from the rest of the bank. It can explore new solutions without bowing to the usual logic of profit, *"We work in a department that is totally separated from the bank, because we think in a very different way. For us the creation of social value is the first think, not making money."* (B&S Laboratory coordinator). This diversity is confirmed by the peculiar features of the Laboratory's management systems, operational procedures and staff motivation. With respect to the usual strict rules and routines of the bank, the laboratory staff has major freedom and flexibility: "*We can work the whole night if the project needs it, but we do not have any fixed time table. That is possible because people who work in the Laboratory believe in its mission, they do not need strict control."* (B&S Laboratory coordinator). The hierarchy structure is flat and the relations between people are informal, even with respect to the highest managerial levels. The informality represent a stimulus for creativity and exchange of ideas: "*Each person in the group, at each hierarchical level, is expected to propose new ideas to the team, to point out new critical social issues*" (B&S Laboratory coordinator).

At its first beginning the Laboratory employed 5 people, who have grown up to 15. The recruitment criteria are aligned with the laboratory's peculiarity. Three are the main skills required to people to work in the Laboratory: "*The ability to think outside the box of business logic, their ability to establish relationships both inside and outside the company, and the motivation and* *strong commitment to the social mission promoted by the Laboratory"* (B&S Laboratory coordinator). They need to think and implement solutions having in mind first their social impact, and not the profitability they can generate. They need to establish relations both with the bank, in order to facilitate the transfer of the new product or service in the 'mainstream' (the commercial offer of ISP), but mainly with non-profit organizations: "*Their capacity to built relations with the third sector is important, because our way to approach clients is not commercial, but collaborative: the clients are involved in the creation of a product suited to their needs* " (B&S Laboratory coordinator). Finally, a real belief in and commitment toward the Laboratory's mission and the social value it generates are fundamental. To assure such commitment human resources are chosen considering as a discriminate criteria also their long-term experience of volunteers in the nonprofit sector.

CSR-driven innovations

Since its foundation in 2002 the Laboratory has completed 16 projects, and one is still in the development phase. In this section I will briefly describe the content and objectives of some of them.

BRIDGE was the first project developed by the Laboratory in 2002 and consists in a bank loan specifically designed for university students granted on the basis of their academic performance, without asking for any real or personal guarantees. In the start up phase the project was developed in partnership with four Universities: three Polytechnig Universities (Politecnico di Milano, Torino and Bari) and Università delle Marche, and it was later extended to 16 Universities. The universities have the responsibility to evaluate the students' academic performance and they provide a small financial guarantee (between 3 and 10% of the loan) through a dedicated fund. The main innovation in BRIDGE regards the process of credit disbursement. The loan is supplied in multiple tranches, one every six months and it is disbursed only if the university confirms the student's good performance. The loan repayment starts an year after the student's graduation, in order to leave him the possibility to start his working career; after this year BRIDGE, if not totally refunded, can be converted into a standard loan. The interest rate for all the duration of the loan, both during its disbursement and during the repayment phase, is lower than the one applied for traditional loans and remains fixed for 12 years. An IT software has been developed to enable the shared management of the loans between ISP and the Universities; this tool enables the bank to allow the loan provision at every tranche based on the university's evaluation. This has been the major investment made for the project development: "*The high level of investment in the IT infrastructure and the low interest rates applied make it still not profitable. However, it is clear that* *profit is not the primary mission of this project*" (B&S Laboratory Coordinator). BRIDGE has reached a noticeable diffusion, even if it has not been explicitly promoted, thanks to the word of mouth among students. Currently it is sold by more than 6,000 bank windows of the Group; more than 7,000 loans has been provided for a total amount of around 49 million €. Around 1,000 students have already began to repay the loan: to date there have been only 9 defaults, and they were all critical cases, such as students coming from developing countries.

PAN, (Progetto Asili Nido, i.e. nurseries project), has been built upon the BRIDGE experience. It is a Consortium born in 2004 from the partnership between ISP and the three major social enterprise networks operating in Italy in the childcare sector: Consorzio Gino Mattarelli (CGM, the largest Italian network of social enterprises), 'Compagnia delle Opere' (another catholic Federation of Social Enterprises) and DROM (National Consortium of Social Cooperation of LegaCoop, the oldest social cooperative in Italy). Recently also FISM (Federazione Italiana Scuole Materne, i.e. Italian Federation of nursery schools) joined the Consortium. The aim of the project is to create new nurseries on the whole national territory, assuring families a high service level. The bank has the role to fund the start-up phase of the nurseries. The role of the social enterprise networks is to support the new social enterprises in defining their business plan, to provide training for the employees and to promote the nursery service in the territory. The professional knowledge that the social enterprise networks have of the childcare business, and their direct participation in the evaluation and improvement of business plans, increases the solidity and sustainability of the managerial aspects of social enterprises thus reducing the bank's risk: therefore it can grant credit without asking for any personal or real guarantee. As further risk covering, the Consortium provides a guarantee for the 5% of the sum funded by the bank for each nursery. The new nurseries are given the quality brand PAN, that guarantees the quality of the infrastructures, the educational program, food, medical assistance and the fairness of their fees. The Consortium inspectors periodically verify the compliance with the quality requirements for maintaining the PAN brand. Thanks to this project, 416 new nurseries were born in Italy. They have more than 12,000 family clients and the total amount of funding is around 15 million euro. Moreover, they employee around 3.000 teachers, all women, around 30 years old, all of them graduated, thus contributing to improve the female employment rate in the country.

The IntesaNova project, developed with the aim to improve product and process innovation in small and medium enterprises through dedicated credit lines, works similarly to the other Laboratory projects. The disbursement of funds is subject to a positive assessment of the innovation project, which is carried out by three technical universities (Politecnico di Milano, Politecnico di

Torino and Università degli Studi di Trento). The assessment is based not only on objective parameters (e.g., annual reports, assets), but also by taking into account other qualitative aspects which are considered as ‘leading indicators’ (good predictors) of the long term value that can be generated by the projects. They examine the technical characteristics of the innovation, the quality of the technical solution relative to the state of the art and the ability of the company to manage the technology throughout the project. This evaluation enables the bank to reduce or eliminate the necessity of personal or real guarantees. After the merger, IntesaNova, with the new name of Nova+ has been incorporated into the bank of the Group specifically dedicated to small and medium business clients, called Mediocredito. Since 2003 the project has provided more than 1 million euro of funds for innovation projects in SMEs.

Table 2.2 summarizes the main features of the projects described above and others developed by the Laboratory. This is not an over comprehensive summary of the Laboratory’s projects, but it has an illustrative function.

Project	Starting date	Social aim	Partners	Current situation
BRIDGE	2002	Provide credit to students, not asking for real or personal guarantees	At the beginning: Politecnico di Milano, Torino and Bari and Università delle Marche. It was later extended to 16 Universities	It is part of the commercial offer of the bank sold by local branches.
PAN	2004	Fund high quality social enterprise nurseries	Three main social enterprise networks in Italy (Compagnia delle Opere, Lega Coop, Consorzio Gino Mattarelli). Recently also FISM – Federazione Italiana Scuole Materne, joined the Consortium.	The service is managed by the Consortium and the credit to social enterprises is provided by BP. The service is proposed as additional service to ISP clients by territorial branches.
NOVA+	2004	Foster innovation in SMEs	Technical Universities (Politecnico di Milano, Politecnico di Torino and Università degli Studi di Trento).	The service is now totally managed by Mediocredito, the bank of the Group dedicate to SMEs.
PRIMI (Project for Immigrant Entrepreneurs)	2006	Assist new Italian citizens in developing entrepreneurial activities	Provincia di Milano and Fondazione Antiusura	The service is now under revision as it did not obtained the expected results
ALFA (ALtra FAmiglia, other family)	2007	Set up new ‘family homes’ for people with disabilities	ANFFAS Foundation (the main Italian association of disable people’s relatives) and the network of social enterprises Consorzio Gino Mattarelli.	The service is proposed as additional service to ISP clients by territorial branches.
SPIN	2010	Fund the restructuring of sport infrastructures managed by nonprofit associations	7 sports promotion bodies (recognized by CONI, Italian National Olympic Committee)	The partners have been identified and the project is in the operating design stage.

Table 2.2 The CSR-driven innovation projects

The Laboratory experience with non-profit organizations and social enterprises led to the creation in 2007 of an independent bank within the Group, called Banca Prossima, specifically dedicated to non-profit customer segments (foundations, social businesses, associations and the religious world): “*The decision to create a specialized bank to better serve the third sector is the result of the experience gained by the Laboratory in four years of collaboration with non-profit organizations. This is a project that affects the way we do business with a clientele usually neglected by banks, but that could soon take charge of many services no more supplied directly by the system of public welfare*” (CEO of BP). In order to face the peculiar requests of this sector the new bank completely revised the process of risk analysis: *“We formulated a new ad hoc rating to correctly evaluate the sustainability of clients that are radically different from those of ‘privates’ or ‘companies’*”(CEO of BP). The new evaluation model is not in contrast with the bank’s traditional analytical methods, but it also considers qualitative elements, such as fund raising abilities, success in projects funded by foundations or public bodies, percentage of work from the private sector and internal governance. Moreover, BP has a special risk fund (‘Fund for the development of the social enterprise’) drawn from the company profits; 50% of these profits (100% for the first 10 years since its foundation in 2007) by statute have to be transferred to the fund. The fund makes it possible to intervene in particularly risky areas , but also very relevant in terms of the social value generated. The fund is not part of the bank equity and it would be given to charity in case of closing or dismissing. The results achieved by this new bank of the group are remarkable: the sums negotiated at the end of 2010 increased by 82% from 2009, and in the first three months of 2011 they have grown by a further 250 million. After 4 years since its foundation the bank reached the break even acquiring 14.000 clients, of which nearly a half were not ISP client before.

CSR-driven innovation projects management

Each of the Laboratory’s projects starts with an *explorative phase* that lead to the identification of the social need to address. The main feedbacks comes from media, customers and non-profit organizations and are collected by the CSR Unit, the CSR Delegates and the territorial branches who are in direct contact with clients. As described before, clients (such as families, and SMEs) are explicitly addressed in order to understand how the bank is answering to their specific needs (BRIDGE and Nova+ are an example of the bank response to such needs). Medias are systematically screened in order to find out the major social problems at national level: for example the idea of PAN raised from the Laboratory awareness of the scarcity of quality nursery schools on the Italian territory. Moreover, nonprofit organizations are an important window on social problems and needs, with whom ISP has a preferential connection particularly after the creation of BP and its ‘Stakeholder relation Unit’.

This first phase is followed by the so-called *strategic design* activities, during which the intervention model is defined: "*Once defined our objective we need to understand where and how we need to change and innovate the process of credit provision*" (B&S Laboratory coordinator). The identification of the project partners is fundamental in this phase, as all the projects of the Laboratory are developed in partnership with a medium of 2 or 3 partners, for the majority (around 80% of them) coming from the third sector: *"A key point is that we never do things by ourselves. We have a range of partners who provide us the skills that we do not posses and with whom we develop the product from the generation of the idea to its implementation."* (B&S Laboratory Coordinator). The partners are chosen on the basis of the specific competences they can contribute to the project, that is their knowledge of the 'client' and his conditions (e.g., universities for BRIDGE, immigrants foundations for PRIMI, sporting bodies for SPIN). Their function is usually to provide specialised consultancy on the validity of the projects to be funded, thus contributing to risk reduction. In the majority of cases the bank requires to its partners to join in a consortium or network (e.g. PAN or SPRINT), in order to constitute a nationally extended body that enables the social impact of the project to be widely diffused. The lack of serious partners to dialogue with and the unavailability of partners to join together have been since now the major reasons of failure of the Laboratory's projects (this has been the main criticality in PAN and the main reason of failure of PRIMI project for immigrants). If the partners are found the project leader within the Laboratory is chosen and the project follows to *the operative design* phase.

This phase consists in the implementation of the intervention model. In this stage of the project the contracts with partners are concluded and the consortium, if existing, is created. Also the specific features of the new service, such as the interest rate and the disbursement schedule, are defined and the eventual IT system is developed.

The last phase consists in the *launch* of the new service and in its *operating management*. Usually, the Laboratory, the projects partners and BP are involved in the new banking product or service management, with different roles. BP is usually responsible for the credit disbursement. The partners are responsible for the qualitative evaluation of the projects or the entities to be funded. The Laboratory contributes to the evaluation phase from a financial point of view, and keeps the project control till the main problems and criticalities are solved. Once the service has reached a sufficient standardization it is transferred to ISP. In some cases, such as the BRIDGE product, the new product becomes part of the commercial offer of ISP and it is managed and sold by the territorial branches of the bank. In other cases the Laboratory's projects lead to additional services that the bank can offer to its traditional customers, such as families looking for a nursery, immigrants, elder people, or customers looking for a sporting infrastructure. It is the case of Nova+ (IntesaNova), which has become part of the service offer toward SMEs managed by a dedicated branch of the bank, Mediocredito.

The description of the projects development highlights the several linkages that the Laboratory creates and nurtures inside and outside the bank to carry on its projects. Figure 2.2 summarizes this network of relationships with respect to the different phases of project development.

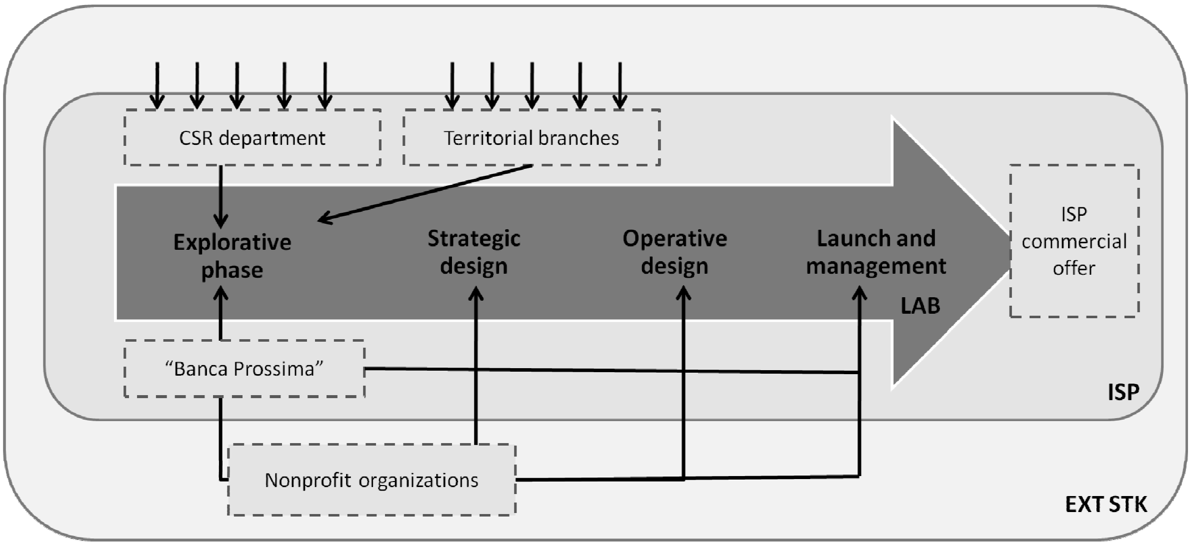

Figure 2.2. CSR driven innovations development process

2.4 Discussion

In light of the empirical evidence collected through the case study, I discuss in this section how specific organizational and managerial choices of CSR strategy improved ISP capacity to develop successful CSR-DI projects.

Structural ambidexterity

The projects realized in the Laboratory do not satisfy the needs of the mainstream customers but grow in niche and less profitable markets, such as the one of students, immigrants, or NGOs: they are marginal in comparison with the huge amount of money the bank is used to earn from its mainstream market. Despite their marginality, the strategic relevance of the Laboratory's projects is becoming to emerge, as shown by the five-years strategic plan of the bank. The leadership in the non-profit sector, pursued through Banca Prossima, in one of the pillars of the 2011-2015 plan. Nova+ project crated the basis for entering the SMEs market, which now constitutes one of the main targets of the bank. BRIDGE gave ISP the role of first mover, and leader, in the field of students' loan in Italy: indeed, the strategic plan underlines the willingness of the bank "*to play the role of a bridge with the university*" (ISP Business plan 2011-2015).

The features of these innovation projects resemble the one of radical innovations (McDermott and Colarelli O'Connor, 2002; Bower and Christensen, 1995). They address a new market, initially marginal, and they are not based on an incremental improvement but on radical changes of traditional products and require specific competences. Indeed, given the peculiarities of the social categories they address, as regards the lack of real or personal guarantees, the products and services developed by the Laboratory to fit their specific needs do not simply derive from incremental changes in the process of credit provision, but they are based on a radically new rating model and credit disbursement process, as described in the previous section.

Radical innovations have been subject to a huge number of studies from innovation scholars (Leifer et al., 2001), as their development is fundamental for the long term survival of the firm (Chandy and Tellis, 1998; Geroski et al, 1993). They entail several particular requirements, when it comes to manage radical innovation projects, which are well documented in the literature (Colarelli O'Connor and DeMartino, 2006; Colarelli O'Connor and Ayers, 2005). A structurally ambidextrous organization, according to O'Reilly and Tushman (2004), is a solution that enables a firm to oversee the development of radical innovation projects, without detriment to its current business, through the creation of "*structurally independent units, each having its own processes, structures, and cultures but integrated into the existing senior management hierarchy*" (O'Reilly and Tushman, 2004: 76).

This structure resembles very closely the way in which ISP organizes its CSR-DI activities, through the establishment of the Laboratory. As showed in previous section, it works independently from the rest of the organisation, with a specific social mission that influences its overall culture. It has developed its own procedures that are devoted to find out innovation opportunities and to develop them not focusing on marginality but mainly on long-term sustainability and social impact. People are recruited also according to their social sensitiveness and they are not evaluated on traditional financial indicators.

These 'isolation' typical of structurally ambidextrous organizations facilitates the generation and development of radically innovative ideas, but it also enables the generation of social benefit through these innovations. The social value of the projects is a priority with respect to their profitability: therefore, innovative ideas with high social potential are taken into account even if they do not assure high marginality, and they are developed in order to maximize the social impact they can generate. They find a rich soil to grow up while in the main bank they would have been put aside for their scarce business value.

Usually, in structurally ambidextrous organizations it is senior executives who have the key role of ensuring integration, which can be achieved articulating a clear, emotionally engaging and consistent vision, building a senior team with diverse and heterogeneous competencies and introducing specific processes and integration mechanisms (O'Reilly and Tushman, 2004). The CEO of ISP plays this critical integration role and creates strong ties between the Laboratory's projects and the bank's strategy. He has personally willed the creation of the Laboratory and he is its main sponsor both inside and outside the organization, also because of the business potential he recognizes to these projects: "*The perspective of our visionary CEO is that it deserves to sacrifice an immediate profit for the creation of social value and, above all, for the testing of new products for unknown customer segments*" (CEO of BP). A further integration mechanism is represented by the CSR Delegates within the organizational departments. This structure helps spread the CSR culture and sensitiveness all over the company, enables the collection of innovative ideas from different sources, and creates the basis for the integration of the Laboratory's projects in the commercial offer of the bank, improving the commitment of front-office employees to the social responsibility of the company: "*We feel proud to offer our customers real solutions to their problems, and to show the image of a company that is worried about the problems of the society*" (Front office employee dedicated to private customers).

<u>Openness of the innovation process through stakeholders engagement</u>

As explained in the section dedicated to ISP CSR strategy, in the last three years the bank has embarked on a path of stakeholder engagement improvement. Currently, the process is organized as a systematic and structured mechanisms, periodically documented in the 'Stakeholder Relation Plan' which has going as far as directly involving several stakeholders in the strategic choices regarding the bank sustainability.

According to the stakeholder theory of the firm (Freeman, 1984), which is one of the main pillars of CSR academic literature, the firm is responsible to dialogue and involve in business decisions many stakeholders such as clients, suppliers, employees, NGOs, the environment (Maon et al, 2008; Porter, 2008). However, the ISP case, confirming the results of previous research (Ayuso et al, 2006), shows how the involvement of stakeholders also represents an important source of innovation. Indeed, the process of stakeholders engagement is fundamental in the explorative phase of Laboratory's projects development process and constitutes a strong differentiating element, as it allows ISP to systematically seize business opportunities that companies less committed in CSR would not recognize.

As regards non-profit organizations in particular, often their involvement takes the form of a real partnership, where the two parties collaborate in an open innovation perspective, consistently to the principles underlying the open innovation paradigm: "*in a world of widely distributed knowledge, companies cannot afford to rely entirely on their own research, but should use external ideas as well as internal ideas, and internal and external paths to market*" (Chesbrough et al, 2006: 1).

Consistently with this paradigm, non-profit organizations represent an external source of new ideas: "*Thanks to the freedom of initiative and the close ties with the territory, it helps understand the demand for social services which often remains unmet*" (ISP Social Report, 2010). Thanks to the CSR Unit, the network of 'CSR delegates' within business Unit and, most of all, Banca Prossima windows and 'Stakeholder Relation Unit', the bank possesses the receptors that enable it to catch these ideas. Therefore, as showed in figure 2.2, nonprofit organizations are an input of the explorative phase, and an essential partner in the strategic design phase: their absence is a major cause of project failure. They also represent a fundamental connection with the target market (e.g. universities with students) and a necessary partner for the commercialization of the service. Indeed, in all the projects developed by the Laboratory the partnerships remained in place (e.g. with social enterprises for PAN, with universities for BRIDGE and NOVA+) for enabling the assessment process and thus the credit disbursement.

As a result, non-profit organizations become both one of the stakeholders addressed by the CSR strategy of the firm and the partners in the innovation process, that enable the bank to implement such strategy. They represent the main source of the innovative ideas, the instrument through which innovation can take place and in many cases also the final beneficiaries of the innovation itself, or the representatives of these beneficiaries.

This result is consistent with the findings from other authors, who have recently recognized that the third sector organizations play an important role of potential partners in the innovation process (Kourula and Halme, 2008; Holmes and Smart, 2009; Murphy and Arenas, 2011), as sources of new ideas (Ayuso et al, 2006) and providers of competences (Loza, 2004).

The main findings of the analysis are summarized in table 2.3. Figure 2.3 provides a synoptic view of the elements emerged from the case study analysis, which should be conceived as the managerial levers ISP acts upon to improve its ability to successfully generate and develop CSR-DI projects.

Theory	Rationale
Structural ambidexterity (O'Reilly III and Tushman, 2004)	Structural ambidexterity ensures the independence of the Laboratory, that can operate without being subject to a profit-maximisation logic and focusing on the social mission of the projects. The CEO visionary leadership and the diffused CSR commitment enable the integration of the Laboratory's projects in the bank's strategy.
Open Innovation (Chesbrough, 2006)	Openness in the innovation process, which very often entails frequent and constant collaborations with third sector and no-profit organizations, is a fundamental prerequisite for improving the firm's ability to scout, analyze and explore the external environment with the aim to identify unsolved social needs.
Stakeholder engagement (Freeman, 1984)	The process of consultation and involvement of the firm's stakeholders enables the company to identify innovation opportunities to which firms less committed in CSR would be blind.

Table 3. Concepts that help interpret the empirical evidence

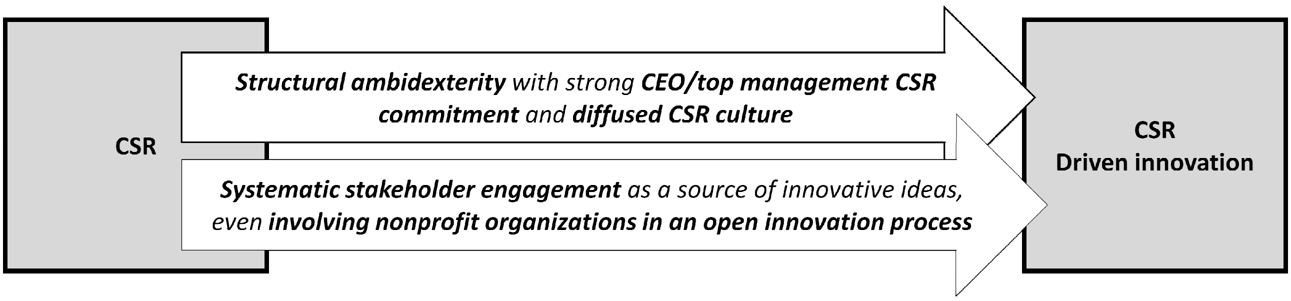

Figure 3. CSR managerial and organisational aspects that favour CSR-DI development

2.5 Conclusions

This paper investigates how a firm can manage and organize its CSR activities with the aim to improve its ability to systematically identify and develop this type of new products, services or business models. The exploratory study presented in this paper is based on an in-depth analysis of the case of Intesasanpaolo, the largest Italian bank.

The case study provides a real-world example of how CSR can be reconciled with firm competitiveness through innovation, specifically the development and introduction of new banking products and services designed for disadvantaged social categories. These CSR-DIs are based on a model that ensures their economic sustainability, by covering the bank from the risk of default, while at the same time creating new market areas that are becoming increasingly important for ISP, such as non-profit organizations. This paper therefore shows, from an empirical point of view, how firms put into practice the complex notion of 'shared value' creation in CSR, which *"is not social responsibility, philanthropy, or even sustainability, but a new way to achieve economic success"* (Porter e Kramer, 2011, p.4).

The results of the analysis regarding the management and organization of CSR activities point to the critical role played by stakeholder engagement as a source of innovative ideas for new products and service and to the importance of involving third sector organizations as partners, consistently with the open innovation paradigm, in the development process. Moreover, the analysis suggests that designing a structural ambidextrous organization should be useful to protect the development of CSR-DIs from the pressure of everyday business and profitability requirements, similarly to what happens with the development of radically-new products and services, and to improve as well the likelihood that they address unmet social needs. These organizational and managerial features enable, in ISP case, the systematic and continuous generation and development of CSR-driven product and service innovations.

These findings can be of interest for Chief Executive Officers and CSR managers working in those firms that are willing to put strategic CSR into practice through innovating their products, services and business models. Although the results of the paper, which is based on a single case study, should not be generalized to other firms, especially those working in dissimilar industries, managers can find several clues that will hopefully help them organize the CSR activities of their firms in a way that can favour the identification, development and launch of CSR-DIs. The paper can be of interest also for scholars in strategic CSR and innovation management as it shows how established theories in both the CSR and innovation management fields can be used to analyse and shed light on the complex issue of CSR-DI management.

As regards future research, scholars are encouraged on the one hand to see whether the results of the present work hold also for other firms and in different industries, through multiple case study analyses or by applying quantitative methodologies. On the other, they can investigate other organizational and managerial levers that are slightly emerged in this analysis and that can be conductive to a superior ability to identify, develop and commercialize CSR-DIs, such as the use of intrinsic and extrinsic performance incentives, the design of particular forms of career paths and recruitment criteria.

Chapter 3[5]

Profit-nonprofit partnerships for the development of different kinds of innovation: an analysis of business and social outcomes

[5] This chapter is at the basis of the paper "Profit-nonprofit partnerships for the development of different kinds of innovation: an analysis of business and social outcomes", coauthored by Paolo Maccarrone, Paolo Landoni and Alice Bazzano.

3.1 Introduction

Within CSR initiatives, companies are increasingly collaborating with nonprofit organizations (NPOs) (Nijhof et al, 2008; Seitanidi and Crane, 2009). In their more simple and more diffused form, these collaborations consist of sponsorships and philanthropic donations (Seitanidi and Rayan, 2007). These initiatives create social benefits, but have been criticized both for their limited scope and because they do not contribute to create economic value for the shareholders (Friedman, 1970).

Coherently with the shift toward a more strategic CSR approach (Porter and Kramer, 2006) and the creation of shared value for business and society (Porter and Kramer, 2011; European Commission, 2011), profit-nonprofit (P-NP) collaborations are evolving into more strategic partnerships where the two organizations work together with common goals and a higher level of involvement (Austin, 2000). This emerging kind of collaboration has been shown to result in higher benefits for both the company and the society (Austin, 2000; Seitanidi and Ryan, 2007). In particular, beside representing effective CSR initiatives (Nijhof et al, 2008), these partnerships can assume a major business relevance since they support the company in leading to different innovation outcomes (Kourula and Halme, 2008; Dahan et al, 2010; Murphy and Arenas, 2011). The thesis is that NPOs can be considered as a source of new ideas (Ayuso et al, 2006) and providers of competences (Loza, 2004) such as other traditional actors involved in collaborative (open) approaches to innovation (Chesbrough, 2003; Pisano and Verganti 2008), like universities and research institutions (Perkmann and Walsh, 2007), suppliers (EmdenGrand et al., 2006), users (von Hippel, 2005; Simard and West, 2006) or even competitors (Chesbrough, 2003).

Coherently with this thesis, Holmes and Smart (2009) assumed an open innovation perspective to look at P-NP partnerships. They analyzed how the collaboration antecedents and operations can influence the innovation outcome, that can result in different typologies of innovation (product/service and process) and it can be planned from the beginning or spontaneously emerge during the collaboration. Holmes and Smart (2009)'s analysis suggested interesting results on the relation between engagement antecedents, operations and outcomes, but the authors did not explore the partnership outcome in terms of the actual social and business values generated.

In light of this open issues, I aimed to investigate in depth this topic focusing the research on the analysis of the outcome of P-NP innovation partnerships. Taking into account the four innovation typologies highlighted in the OECD Oslo Manual (2005) (product, process, market and organizational innovation), the study has the aim to investigate and illustrate the potentialities of these partnerships in terms of shared value creation.

The paper starts highlighting the main literature contributions on P-NP partnerships focusing on integrative partnership in general and on the innovation potential of collaborating with the nonprofit sector in particular. Then I describe the methodology used and the four case studies chosen for the analysis. Finally, I discuss the results of the empirical investigation and I draw the conclusions of the study.

3.2 Literature review

The integrative stage in P-NP partnerships is reached when “the partners’ missions, people and activities begin to merge into more collective action and organizational integration” (Austin, 2000, p. 71). According to Austin (2000), integrative partnerships are characterized by: high level of engagement; central importance to mission; big magnitude of resources (financial, in-kind, and intangible resources); broad scope of activities; intensive interaction level; high managerial complexity and major strategic value. Some authors referred to these integrative collaborations as ‘strategic partnerships’ (Millar et al, 2004; Seitanidi and Rayan, 2007).

Even if Austin (2000) does not propose this stage of collaboration better that the others he proposes (philanthropic and transactional), he suggests that “there are significant collaboration gains to be had by moving to high level of another both in specific benefits accruing to the respective partners and in the social value added by the alliance” (Austin, 2000, p. 72).

For the NPO the integrative partnership represents an opportunity of organizational learning (Reast et al, 2010). It can acquire from the firm managerial and strategic competencies (Berger et al, 2004); it can access new technologies (Murphy and Arenas, 2011) and a skilled workforce through employees voluntarism (Berger et al, 2004; Reast et al, 2010). The collaboration with firms, especially multinationals, can help the NPO to widen its approach, from local to global (Austin, 2000). It can provide them the access to networks and experiences (Murphy and Arenas, 2011) and suggest new ideas of product to use for their social mission (Nijhof et al, 2008).

From a business perspective, in addition to the improvement of reputation (Austin, 2000) and visibility (Reast et al, 2010), the creation of integrative partnerships with the nonprofit sector may represent a way to motivate and retain employees (Austin, 2000). Moreover these partnerships can favor organizational learning (Reast et al, 2010), companies can acquire NPO’s competencies about social problems (Vurro et al, 2010; Murphy and Arenas, 2011) and gain experience in dealing with different stakeholder categories (Nijhof et al, 2008; Murphy and Arenas, 2011).

Finally, integrative collaborations with NPOs assume a major relevance since they can improve the innovation process. Kourula and Halme (2008) suggest the existence of an “innovation” approach to CSR, that has an emphasis on developing new business models for solving social and environmental problems and that may be accomplished through the creation of common programs and partnerships with NPOs. The authors show that “this type of business-NGO engagement activities seem to have highest potential in creating income-generating mechanism locally and support self-sufficiency in local communities” (Kourula and Halme, 2008, p.568). Coeherently with this statement Dahan et al (2010) showed how multinational corporations investing in developing countries collaborate with local NPOs for the development of new business models that are able to create both a social and an economic value. Often local NPOs support the innovation of the companies supply chain, improving the value created for the local supplier in developing countries (Perez-Alimand and Sandilands, 2008). An example is represented by Sturbucks collaboration with NPOs to integrate Fair Trade Certified coffee in its commercial offer (Argenti, 2004). Murphy and Arenas (2011) underline the potential in terms of innovation of integrative P-NP partnerships involving indigenous populations.

Several authors have analyzed the partnerships management highlighting which are the key factors that foster their success (Googings e Rochlin, 2000; Austin, 2000; Berger et al, 2004; Dahan et al, 2010) and their ideal development process (Seitanidi and Crane, 1999; Reast et al, 2010; Clarke and Fuller, 2010). Focusing specifically on “innovation P-NP partnership” (as I address P-NP partnerships leading to an innovation outcome), the partnership features and management have been shown to affect innovation outcome. Holmes and Moir (2007) developed a conceptual framework that identifies firm motivations, engagement conditions and intra-firm factors that influence innovation outcome, in terms of: radicalism of the innovation, forced or voluntary result, expected or unexpected outcome and typology of innovation (product, service or process). Holmes and Smart (2009) empirically investigated the theoretical assumption of Holmes and Moire (2007), discussing the relation between engagement antecedents and operations, and innovation outcomes. With respect to the innovation outcomes they highlighted the possibility to obtain different innovation typologies (product/service or process) and the different innovation process generation (the innovation outcome may be planned from the beginning or emerge from the collaboration).

Existing literature, therefore, demonstrates that P-NP partnerships can be a source of innovation, and explained that partnerships’ antecedents and operations affect innovation outcome. This outcome, since it results from the collaboration of a profit and a nonprofit partner, is supposed to result in both a business and a social outcome. In order to have a complete picture of the potential worth of P-NP partnerships, it becomes relevant to investigate this twofold outcome, that remains still unexplored.

To fill this gap I focused the analysis on the outcomes of P-NP innovation partnerships, and I deepened the investigation of the shared value they create, for the company and the society at large. I decided to include in the investigation all the four kind of innovations outlined by the Oslo Manual (OECD, 2005) (product/service, process, market and organizational innovation), in order to provide a comprehensive overview of the topic. In a nutshell, my aim with this research was to answer the following question: what are the business and social values contemporary created by P-NP partnership leading to different innovation outcomes?

3.3 Methodology

I adopted a qualitative methodology based on case studies. The choice is justified by the explorative nature of the analysis (Yin, 2003). In general, the qualitative methodology is a powerful approach to gain a rich understanding of a complex phenomenon (Eisenhardt and Graebner, 2007), such as the P-NP partnership, where the number of variables to be considered are numerous and the focus of the analysis is multiple: the company, the NPO, the society. Finally, case studies allow us to investigate an empirical situation "within its real-life context" and "where the boundaries between phenomenon and context are not really evident" (Yin, 1984, p.23). In particular, in this research I used a multiple case study approach, because it allows both an in-depth examination of each case study and, through cross-case comparison, the identification of the main differences and similarities between cases (Yin, 2003).

For the sample selection I adopted a broad definition of NPO, which is the same adopted by Holmes and Smart (2009): "NPOs are organizations that have as their primary purpose the promotion of social and/or environmental goals" (Murphy and Bandell, 2001). Taking into account this definition I selected four partnership of collaboration between for profit companies and nonprofit actors, that cover the all innovation typologies outlined by the Oslo Manual (OECD, 2005): product/service, process, market and organizational innovation. The selected partnerships had also to fit the criteria that define the "integrative" stage of partnership according to Austin (2000). All the criteria were fitted in all the four cases (high level of engagement; central importance to mission; big magnitude of financial, in-kind, and intangible resources; intensive interaction level; high managerial complexity and major strategic value), apart from the "broad scope of activities", since the scope is narrow by definition: all the partnerships are aimed to develop a specific kind of innovation development. I also built the final sample trying to reach an high variety not only in terms of the innovation outcomes of projects, but also with respect to the features of the partners involved (in particular in terms of size and sector of companies and NPOs). This in order not to attribute research findings to a specific industry context or NPO sector.

The four partnerships derived from the sample selection are described in the table below.

Company	*NPO*	*Innovation outcome*
IBM Italia Sector: ICT Revenue: 99.9Bn$(IBM Group)	**Asphi** Sector: Disability Revenues: 875,955 €	**Product Innovation**
Guna Sector: Homeopathic medicin Revenue: 52.8Mn€	**Acra** Sector: International cooperation Revenues:10.5Mn€	**Process Innovation**
Intesa Sanpaolo (ISP) Sector: Banking Revenue:16.6 Bn€	**Consorzio Gino Mattarelli (CGM)** Sector: Welfare Revenues: 1.13Bn€ (from all social enterprises of the network)	**Market innovation**
Repsol Sector: Oil and gas company Revenue: 2.3 Bn€	**Intermon Oxfam (IO)** Sector: International cooperation Revenues:54.6Mn€	**Organizational innovation**

Table 3.1. Projects description

The data have been collected through interviews with companies and NPOs managers mainly involved in the partnership development[6]. This information was complemented and triangulated with material from secondary sources, i.e. internal documentation regarding projects, sustainability balance sheets, external NGOs reports and press releases and publicly available data collected through the professional database www.lexisnexis.com. These data sources have been useful particularly for evaluating and verifying the social impact of the projects.

The first phase of data collection has been aimed to investigate the "central aspects of firm-nonprofit dyadic engagement undertaken within a corporate social responsibility context with regard to the concept of open innovation" (Holmes and Smart, 2009, p.402) regarding engagement antecedents, operations, with a peculiar focus on engagement outcomes, in terms of the social and business value generated. The second phase consisted in a cross-case comparison, aimed at replicating findings among case studies (Yin, 2003), particularly with respect to the creation of business and social value

The role of the people interviewed and the organization they belong to are summarized in table 3.2. All the interviews have been recorded and transcribed.

[6] For the Repsol-IO case study information from the book *Corporate relations with local communities and NGOs* (Arenas et al., 2011) was also considered.

Company	*Role Interviewed*	*Number of interviews*
Guna (external consultant)	Consultant in CSR	3
Acra	Fund Raising Manager	3
Acra	Project Manager	3
Guna	Quality Manager	3
Guna	Peace Manager	3
Guna	Sales Manager	1
Intesasanpaolo	Bank and Society Laboratory Coordinator	5
Intesasanpaolo	Banca Prossima CEO	2
Consorzio Gino Mattarelli	Chairman	2
IBM Italia	IT specialist, IBM software group	3
IBM Italia	IT specialist, IBM software group	1
IBM Italia	Sales & Business Operations Leader; Executive sponsor for disability	3
IBM Italia	Diversity leader, HR department	1
IBM Italia	CSR manager	1
ASPHI	Consultant almost full time	2
Intermon	Policy Manager for Private Sector	3
Oxfam	CSR Manager	3

Table 3.2. Summary of interviews

3.4 Case description

Case description has been structured according to the central aspects of P-NP engagement outlined by Holmes and Smart (2009). Sometimes the meaning the authors attributed them have been slightly adapted to fill the peculiarities of the present analysis (based on integrative collaborations) and focused on the project analysis (not considering the whole CSR approach of the firm).

In particular, I investigated:

- *Engagement antecedents*: firm's previous level of experience of engaging with NPOs (in this research I considered only previous experience of integrative collaborations, given the focus of the analysis) and its motivation for engaging with the NPO in the present experience
- *Engagement operations*: length and status of the collaboration; inter-organizational linkages (according to Holmes and Smart (2009) I consider low the number of linkages if people involved in the collaboration were below 10, medium between 10 and 15, and high otherwise); initial engagement scope (in terms of whether this had been defined and how broad a range of activity was being undertaken); scope development; firm's assimilation of NPO ideas; outward facing demonstration of CSR (which refers to the firms willingness to produce a tangible demonstration of their

CSR commitment through the engagement); firm's stakeholder focus (internal or external to the firm, with respect to the specific project); role of main boundary spanner (according to the level of formal responsibilities he received from senior management to manage innovation opportunities); senior management involvement.

- *Engagement outcome:* typology and innovation process (planned from the beginning of the collaboration, or emerging during the collaboration).

A concise summary of these elements is provided in table 3.3.

		IBM – Asphi	Guna –Acra	ISP – CGM	Repsol – Intermon Oxfam
Engagement antecedents	*Previous company experience of integrative partnership with NPOs*	NO	NO	NO	NO
	Engagement motivation	CSR strategy (strategy toward disability)	CSR strategy	CSR (Bank&Society Laboratory) strategy	CSR strategy
Engagement operations	*Engagement length and status*	**2004 – 2008** (first release of the "full option" MWA device) Following	**2007 – 2010** (end of the European project) Following	**2004 – today** (creation of the Consortium) Following	**2008 – 2010** (guidelines and policy release) Following
	Inter-organizational linkages	Medium	Low	Low	Low
	Initial engagement scope	Defined and Narrow	Defined and Narrow	Defined and Narrow	Defined and narrow
	Scope development	Extension	Extension	Extension	Extension
	Firm assimilation of NPO ideas	Active	Active	Active	Active
	Project's stakeholder focus	Internal and External	External	External	External
	Outward facing demonstration of CSR	NO	YES	YES	YES
	Role of main boundary spanner	Innovation manager	Innovation manager	Innovation manager	Innovation manager
	Senior management involvement	Direct	Direct	Direct	Direct
Engagement innovation out come	*Typology*	Product innovation	Process innovation	Market innovation	Organizational innovation
	Innovation description	Development of the Mobile Wireless Accessibility (MWA) device (mobile phone including pc functionalities usable by visually impaired people)	Development of a sustainable and innovative process for the extraction of a better quality Neem oil, an homeopathic vegetable oil.	Development of a quality brand (PAN) and a new rating model to evaluate and then fund the creation and restructuring of social enterprise nurseries.	Creation of a policy and internal guidelines for Repsol regarding the consultation of indigenous populations in the areas where the company is now present or will enter in the future.
	Innovation process	Planned	Planned	Planned	Planned

Table 3.3. Cases description (built on Holmes and Moire (2009) variables)

IBM Italia – Asphi

Engagement antecedents

Historically IBM Italia has a peculiar commitment toward the world of disability: the first disable employee was hired in 1914, and now they are more than 250, affected by different disabilities. The sensitiveness of the company toward the issue is testified by the creation of an executive sponsor for disability, working in parallel with the CSR Unit. Moreover, the company had always financially supported Asphi Onlus, being one of its main promoters.

Engagement operations

In 2004 during a training an IBM manager faced the problem of having a visually impaired auditor, and understood the necessity (and business opportunity) to develop a device accessible to this kind of disabled. This was the incipit to a more integrative collaboration with Asphi, that led in 2008 to release the first full-option Mobile Wireless Accessibility (MWA) device, which is a mobile phone, integrating the functionalities of pc and mobile phone and usable also by visually impaired people. The mobile phones and the wireless infrastructure necessary for the product development were provided by two business partners of IBM, Nokia and Cisco.

The MWA project is managed by a dedicated team, composed of fifteen people, working part time on this task. They belong to IBM Italia R&D and marketing division and Human Resources division (diversity and inclusion, health services and recruitment areas). Moreover, the company manager for relations with Universities, the CIO and the Disability Executive sponsor also collaborate with the team. In Asphi the project is managed by two full-time consultant and by a visually impaired who is both an IBM manager and an Asphi volunteer.

Engagement Outcome

The immediate outcome of the collaboration consisted in a new product dedicated to visually impaired people (the MWA), aimed to improve their independence and flexibility in daily life and to increase their working productivity, giving them a new status and new job opportunities. Within IBM Italia the MWA has been adopted by the majority of visually impaired people: a survey conducted in 2009 demonstrated their high appreciation of the service offered by the new product (more that 80% of interviewed showed a good or enthusiastic level satisfaction). "*We have seen an effective change in the communication habits with a resulted improved productivity*" (2008 IBM

Italia internal survey). In 2008, moreover, the MWA team started to extend MWA functionalities also to other disabled categories, such as hearing-impaired and motor disabled.

Beside private companies (which must hire a minimum of disable people at the 7% of the total number of employees, by the Italian law 68/99), in 2009 the company began to establish new partnership with municipalities, regions (public administration have an high budget allocated on “accessibility” investments) and public transport sector, proposing them innovative technological solutions, derived from MWA evolution, dedicated to disable people. The Nettuno project, for example, proposes the MWA technology as a solution to facilitate the orientation of visually impaired in public buildings. The MWA was also proposed to the healthcare sector. In Valduce hospital in Como (Italy) the mobile wireless technology is used to have a constant monitoring of patients positioning within the hospital and enables doctors to access and manage patients’ data “everytime and everywhere”, using a voice control technology that helps the doctor to focus his attention on patients needs.

<u>Guna – Acra</u>

Engagement antecedents

Guna operates in the homeopathic medicine market and its mission is to look after people and make them feel better. Not surprisingly, the company considers CSR as totally core to the success business: “*We do not do CSR, we are CSR. The interest of our stakeholder and the interests of our company are totally coincident*.” (Peace manager). Indeed, the company adopts a sustainable 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 made freely available to everyone; it supports employee's charity work; it frequently works in partnerships with NPOs. Despite the high familiarity with NPOs, the collaboration with Acra has been the first experience of an integrative kind of partnership.

Engagement Operations

In 2007 Acra was drafting a project proposal to submit to the European Commission regarding the use of natural resources (Neem and Moringa plants in particular) for reducing poverty in Ciad and Cameroon (Logone valley). Acra had previous contact with Guna, due to personal relations existing between Acra managers and Guna chairman. Thus Acra asked for Guna technical support with respect to the extraction of Neem oil in Cameroon. Guna accepted the proposal, pushed by the strong motivation of its chairman. The company selected the machinery for the extraction process, that was partially found through EU founds, it studied its functioning and trained the Cameroonians workers to use it (they stayed at the premises of the company for a few weeks). The training activity was held by the quality manager of Guna. The peace manager of the company (the equivalent of the CSR manager) supported by an external consultant for CSR, managed the relations with the NPO and the external communication of the project. In Acra the project was managed by the Cameroon project manager and fund raising manager.

Engagement outcomes

The project led to the creation of a social cooperative in Cameroon where local workers extract the Neem oil using the new process. The process innovation proved to be successful: "*This technology has innumerable advantages with respect to the usual extraction process, made through pressing or using organic solvents, in terms of quality of the oil. Moreover, during a testing made in Veneto we realized that adding small percentage of Neem oil to our insect repellent consistently improved its efficacy" (*Guna quality manager). Even if the commercialization phase has still not began, Guna has publicly committed to buy the vegetable oil realized by the social cooperative. Beside the Neem oil, the company in now thinking of using the machinery for other scope: "*Thanks to this project we had the opportunity to evaluate the potentialities of this technology that may be used in future with other raw materials or for other products*" (Guna quality manger). The company is now continuing to collaborate with the NPO and the network of Cameroonians universities they have created.

ISP – CGM

Engagement antecedents

In 2002 the CEO of Banca Intesa, now CEO of ISP[7], created a corporate unit called Bank and Society Laboratory, with the key mission to enlarge financial inclusion: "*There are about 8 million people in Italy who do not have access to financial services: about 16% of the population, against the euro zone average of 7%. The most vulnerable social groups are those who do not have an on-going income, for example young people and immigrants, for whom "non access to banks" is often paired with social exclusion*" (ISP Social Report, 2010). The Laboratory accomplishes to its mission through the development of new solutions to provide credit without asking for real or personal guarantees that these social categories cannot provide. These solutions are designed in

[7] ISP was born in 2007 from the merger of two pre-existing goups, Banca Intesa and Sanpaolo IMI

order to guarantee a limited risk exposure for the bank which makes them economically sustainable and replicable in the long run.

Since its foundation the laboratory has developed 16 projects; all of them are developed in partnership with a medium of 2 or 3 partners, for the majority (around 80% of them) coming from the third sector.

Engagement operations

PAN (Progetto Asili Nido, i.e. nurseries project) project started in 2004 and represented the first experience for ISP of partnering with the nonprofit sector (specifically, with social enterprises).

The project raised from the willingness of the Laboratory team to respond to the scarcity of nurseries in Italy: "*Many territories in Italy still lack the nursery services (South Italy, rural areas). Currently only 11.4% of children find a place in nurseries or similar services*" (CEO BP). The bank approached CGM with the intent to exploit its high competencies in the childcare sector to understand how to provide credit to the social enterprises working in that field. In that period, CGM was already working on the definition of a quality standard for nurseries.

The project started with the creation of a Consortium between ISP, CGM and other two networks of social enterprises, experts in the childcare sector, 'Compagnia delle Opere' (another catholic Federation of Social Enterprises) and DROM (National Consortium of Social Cooperation of LegaCoop, the oldest social cooperative in Italy). Recently also FISM (Federazione Italiana Scuole Materne, i.e. Italian Federation of nursery schools) joined the Consortium. The creation of the Consortium represented the major difficulty for ISP, since they had to reconcile different actors' cultures and approaches, but it was necessary to provide a quality service diffused on the whole Italian territory.

The bank role in the Consortium is to fund the start-up phase or the restructuring of the nurseries. The role of the social enterprise networks is to support the new social enterprises in defining their business plans, to provide training for the employees and to promote the nursery service in the territory. The professional knowledge that the social enterprise networks have of the childcare business, and their direct participation in the evaluation and improvement of business plans, increases the solidity and sustainability of the managerial aspects of social enterprises thus reducing the bank's risk. As further risk covering, the Consortium provides a guarantee for the 5% of the sum funded by the bank for each nursery. In this way the bank can grant credit without asking for any personal or real guarantee. The partnership is still in place for the service provision.

Engagement outcomes

Thanks to the collaboration ISP entered in the new market of the social enterprises operating in the childcare sector: 416 new nurseries were born in Italy, for a total amount of funding around 15 million euro. They have more than 12,000 family clients and they employee around 3,000 teachers, all women, around 30 years old, all of them graduated, thus contributing to improve the female employment rate in the country. The new nurseries are given the quality brand PAN, that guarantees the quality of the infrastructures, the educational program, food, medical assistance and the fairness of their fees. The Consortium inspectors periodically verify the compliance with the quality requirements for maintaining the PAN brand: *"PAN has the main merit of having built a nonprofit system that deals with education, giving it a focus on quality and development"* (CGM Chair).

While the financing of new structures proved to be successful, the restructuring part of the project has not reached the expected results, mainly due to a wrong evaluation of the interest rates to apply.

Repsol – IO

Engagement antecedents

Repsol has been largely criticized in the past years for its behavior toward indigenous populations leaving near its extracting sites. IO published in 2004 its first report regarding the negative impacts of Repsol activity in Bolivia. As a response, the company approved for the first time a guideline for community relations. However, the NPO followed with several reports criticizing Repsol behavior toward indigenous population. The most powerful action lead by IO against Repsol was its intervention during Repsol's annual general shareholders meeting in May, 2008. IO obtained the right to speak before the assembly thanks to a coalition of Spanish individual, faith-based and institutional investors (with about 80,000 shares) and U.S. investors lead by Boston Common Asset Management. After this event, that attracted Spanish public opinion's attention, Repsol CEO decided to start a consultation with over 24 national and international organizations, including IO.

Engagement operations

From 2008 IO supported Repsol in drafting a policy governing relationships with both local and indigenous communities, and internal guidelines clarifying how to implement the policy of relation with indigenous people. The NPO suggested improvement in the guidelines and policy, in particular: enlargement of the scope of the policy that was limited only to future settlement of the company; definition of the company's position in case of not obtaining the agreement of indigenous communities.

From a company side the relation with IO involved only the CSR manager and its team. However, it is now spreading to involve other company's functions in relation to a new project on assessing the transparency of donations to governments. In this new project also the legal and financial departments are involved.

Engagement outcomes

The first versions of policy and guidelines were released in 2009, and its implementation is radically changing the relation of the company with local communities, as it already happened in Bolivia, where the policy has been firstly implemented. In 2011 report about Repsol action in Bolivia, the FITEQA-CCOO's secretary (Comisiones Obreras Industrias - Textil-piel, Quimicas y Afines, Workers' Committee – Textile, Chemical and Related Industry)[8], during his visit in 'Campo Margarita' region (the major area where Repsol operates in Bolivia), testifies the improved relation between the company and the APG-IG (Asemblea del Pueblo Guaranì de Itika Guasu – Assembly of the Guarani People of Itika Guasu). This Assembly is composed by the representatives of local indigenous populations families (about 36 different communities live in the area, for a total of 5,000 people). The negotiation between the two parties started in 2010 and already brought some important improvement: Repsol and APG-IG signed a 'friendship and collaboration agreement' and created an 'Investment found' financed by Repsol with 14.8 million $ for 20 years and administered by the local 'Council of Elders', with the scope to promote interventions in the fields of health, education and housing. Among the results already obtained in the area thanks to Repsol action, and testified in the report, the most important are: an electrification project, that employs local workers with long-term contracts; the improvement of the working condition of Repsol local employees, monitored by an external independent institution (e.g. minimum salary for local people employed in Repsol increased at a level of 350€/month which is around three times the minimum salary in Bolivia); promotion of local handcraft activities (e.g. laundry, honey production); improvement of the healthcare assistance, which is not granted by the Government.

[8] The report "Aproximacion syndical a la cuestion indigena alli donde opera la industria petrolera" is available at http://www.fiteqa.ccoo.es/comunes/temp/recursos/29/1086545.pdf

The project also caused major organizational changes in Repsol. The awareness of the importance of relations with local communities pushed a change in the CSR strategy of the company: the CSR Unit was moved from the Internal Communication department to the direct dependence of the CEO. A corporate committee was established to monitor the implementation of community relations policies and local committees were created in order to implement such policies according to local peculiar needs. The experience led the company to include 'licence to operate' within its corporate level strategic objective and increased the company's awareness of the importance of including social issues in the risk analysis process.

3.5 Results

The following section briefly comments the main common elements regarding engagement antecedents and operations in the four cases I analyzed, with a particular focus on outcomes.

Looking at the antecedents of the collaboration none of the four companies I analyzed had previous experience of integrative collaboration with NPOs. However, in three out of four cases (IBM Italia, ISP and Guna) the companies had a previous experience of interaction with the nonprofit sector, establishing philanthropic or transactional kind of partnerships (as defined by Austin (2000)). Moreover, these companies have an eradicated culture of CSR that favored the raising and development of these projects. IBM had always a high commitment in CSR, particularly toward the problem of disability. Guna is an high socially responsible company: due to the sector where it operates there is quite a coincidence between the core business and the CSR strategy. ISP, thanks to its CEO sensitiveness, established since 2002 a corporate unit dedicated to provide social benefit through the innovation of the core business. On the contrary, in Repsol this CSR culture was not present. The relation with IO started on a controversial basis, but it had the possibility to evolve in a constructive dialogue thanks to the openness of the CEO to proactively collaborate with the NPO. The absence of an eradicated CSR culture and of previous relations with the nonprofit sector are the reasons why the partnership could drive radical changes into Respol CSR organization and approach toward indigenous populations: the organizational innovation was so affecting since it was the first experience of the company in this sense.

Looking at engagement operations I found several common elements. All the collaborations are still in place, they have a defined and narrow scope for definition (I selected the four cases for their specific innovation scope), in all the four cases the companies actively assimilate NPOs ides and cast of mind, and the involvement of the senior management is high in all partnerships. Beside these aspects, I also noticed that all the four partnerships are characterized by a low level of formalization (in Guna case this is slightly higher due to the presence of the European Commission as a sponsor of the project). This represent a major managerial challenge that deserves to be investigated in further development of the research. Another common aspect regards the scope development. Contrary to Holmes and Moire (2009)'s conclusions, even if the engagement scope was narrowly defined, the opportunities for scope development had not been limited. In all four cases the scope extended during the partnership and the projects led both to the direct innovation outcome, planned from the beginning, and to other indirect outcomes. This consideration derive from the deeper analysis of the collaboration outcomes, that are discussed in details in the next section.

<u>Direct outcomes</u>

As expected, the P-NP partnerships led to four different innovation outcomes, that created an immediate (and predictable) benefit for both the business and the society. These benefits emerge from case description, and are summarized in table 3.4.

	IBM – Asphi	**Guna –Acra**	**ISP – CGM**	**Repsol – Intermon**
Direct business benefits (innovation)	Introduction of a new *product* for visually impaired people in the firm's commercial offer	Development of an innovative *process* for the extraction of high quality vegetable oil (Neem oil)	Access to the *market* of the social enterprises operating in the childcare sector	*Organizational* changes that led to an improvement of the company's relations with local communities
Direct social benefit (value for recipients)	Improvement of the quality of life and new job opportunities for visually impaired people	Improvement of the socio-economic conditions of a Cameroonian village through the creation of an economically sustainable social enterprise employing local people	Provision of high quality nurseries at National level through a social enterprise system	Respect of indigenous populations rights and improvement of their social and economic conditions

Table 3.4 Direct business and social outcomes

<u>Indirect business outcomes</u>

In all the four cases, beside the planned results, the collaboration led to indirect outcomes, that were not predictable at the beginning of the collaboration. These outcomes are summarized in table 3.5.

	IBM – Asphi	Guna –Acra	ISP – CGM	Repsol – Intermon
Indirect business outcomes	Identification of different functionalities of the MWA device for mainstream clients (e.g. hospitals and private clinics, public transport companies)	Acquisition of competencies on the functioning of an innovative machinery potentially useful for new products Access to Cameroonians universities' network and to their research activity on homeopathic medicine	Development of a new rating model useful not only for social enterprises (e.g. students or small and medium enterprises) Creation of an independent bank dedicated to the nonprofit sector market.	Creation of partnerships with other NPOs on other critical ethical issues. Awareness of the importance of collaborating with NPOs for anticipating legal requirement and reducing risk.

Table 3.5. Indirect business outcomes

These indirect outcomes has a major relevance in the strategy of the firms.

Asphi transferred to IBM Italia a new cast of mind to approach disability: "*Asphi has transferred us the know-how to understand the 'process disabilities' in other companies. Indeed their experience with disabled people has improved our capacity to discover problems of accessibility in the client's business model.[…] If the process becomes accessible for the disabled, then it will be accessible for everyone. This is a value added that we bring to our clients in the healthcare sector, in the public transports, …*" (IT specialist, IBM Italia). This new approach led to enlarge the initial scope of the project, developing new services for mainstream market and it is supporting IBM Italia in the implementation of the 'smarter planet' strategy defined at Group level in 2009. It refers to the possibility to use technology to create a better world, by reducing the environmental impacts, improving people's lives and creating a benefit to society. The new services for the mainstream market derived from the MWA technology are absolutely in line with this new group strategy.

The partnership with Acra is pushing Guna innovation strategy. The relation that Guna established with local universities, thanks to the social cooperative created in Cameroon, is already showing interesting synergies in this direction: "*A Nobel prize in Medicine is now conducting a research in Cameroon on the potential benefits for HIV patients of natural medicine and the university network created by Acra enabled us to get in touch with his research group.*" (Guna quality manager).

Even if the financial evaluation of the projects still play a fundamental role in credit provision, what ISP through the Laboratory is doing is an absolutely innovative approach for the banking sector, suggested by the frequent collaboration with the NPOs, that started with PAN experience, that is driving the company penetration in the nonprofit sector. From one hand, the collaboration with PAN increased this sector trust toward the bank: "*In Tuscany the social enterprises affiliated to CGM were used to turn to local banks, such as Cassa di Risparmio and*

Monte dei Paschi di Siena, that appeared to be more sensitive to their peculiar needs. Before PAN, none of them had an account in ISP, now quite all of them are ISP's clients" (CGM chairman). On the other hand it highlighted to ISP the peculiar features and needs of NPOs. These elements led to create in 2007 an independent bank of the Group, Banca Prossima, dedicated to this market, that established ISP willingness to reach the leadership in this sector in Italy (this is one of the pillars of the 2011-2015 strategic plan).

Repsol experience with IO made the company understand the usefulness of a similar approach toward NPOs: "*Now we dialogue directly with the civil society. We participate to those events where they can criticize us and we ask for their support to understand where to change our organization. […] We cannot respond to all issues. The NPOs help us to understand where to focus our attention, and where we are doing enough*." (CSR manager). After IO experience, Repsol started other collaborations with trade unions, with ILO (International Labor Organization), and with two NGOs working on human rights. This new modus operandi also reduces the risk profile of the company in the perspective of its investors: "*Implementing responsible practices means that the company is less risky, as it does not run into problems with local governments or civil society, such as boycotts. Respecting human rights means a risk reduction that is strongly appreciated by investors*" (Policy manager for private sector, IO). Moreover, Repsol CSR manager recognized an important advantage deriving from an anticipation of law requirements: "*We have always moved in response to the law requirements. Collaborating with the civil society organizations let us anticipate these requirements and move forward the competitors*" (CSR manager, Repsol).

Indirect social outcomes

The collaboration with the for-profit sector created in all the four cases a learning mechanisms for NPOs that improved their effectiveness in fulfilling their social mission. This improvement expands the social impact of the projects.

In the case of the collaboration between Asphi and IBM, the MWA project has provided Asphi with an additional solution that the NPO several times proposed to other companies which required its collaboration to improve the integration of disabled employees. In general, the close link with IBM is an important mean through which ASPHI learns how to overcome disability with the support of technology.

In the second case the indirect benefits are even more evident. Acra has understood the fundamental contribution that the for profit sector can provide to the fulfillment of its mission, in terms of both technical and managerial competencies: “*The strength of our collaboration with Guna is that they provided us with technical competencies that we would have never been able to develop by ourselves. […] The company helped us in guaranteeing the long lasting sustainability of the project through the development of a business plan, a feasibility analysis, the definition of quantitative targets”* (Project manager, Acra). Acra is now trying to transfer these competencies to all its projects: “*We realized that using these tools and this business approach in all interventions favors their sustainability, helping to conceive and prevent problems from the beginning*” (Project manager, Acra). In addition to the expertise of Guna, Acra profits from the long term relationship with the company that goes beyond the duration of the project and makes it more sustainable and effective: “*Our objective is not that Guna develop an operative branch in Cameroon, but that it supports Acra in making the community economically independent*” (Project manager, Acra).

The indirect benefits obtained by CGM thanks to the PAN project are firstly related to the possibility to develop further projects in collaboration with ISP, such as the ‘AL.FA.’(‘another family’) project, aiming to set up new ‘family homes’ for people with disabilities. Generally speaking, thanks to PAN, CGM found in ISP a financial partner that will help the development of its projects and their spread at a national level. Beside the relation with the banking sector, CGM improved its capability to interface with the for profit sector in general: “*PAN has been the first partnership in which we related with actors that were very different form us, but with whom we had common industrial objectives”*. In general terms, PAN was the first step toward a more diffused acceptance of the social enterprises within the banking sector: “*This mechanism has immediately multiplied also in other banks. We suddenly attracted the attention of the banking system that started to look at us, to study us, and to try to understand how we work, our weaknesses and strengths. PAN broke a cultural border within the world of finance*” (CGM chairman).

Also IO obtained relevant indirect benefits from the collaboration with Repsol, in terms of understanding the timing of intervention, the modes of interaction with businesses, the extent to which they can push their demands. These skills help the NPO to better deal with firms and change their business practices. This kind of collaboration with large companies is fundamental for IO mission: indeed the impact of a multinational company on the local community in developing countries is higher than the impact the NPO could never generate alone. Their experience was also imitated by other NPOs: for example, in 2011 a representative of Centro Delàs (a Spanish nonprofit organization for peace promotion) used the same strategy of entering the shareholders meetings and taking the floor in BBVA. The same happened also the year before in Santander bank (Sanchez, 2011).

3.6 Discussion

The aim of this section is to summarize the main social and business benefits underlined by the empirical analysis, in order to make evident to both company's and NPO's managers the value potentially created through these partnerships.

Companies reap the benefits of the deep knowledge of the society provided by NPOs. This knowledge enables the company to better satisfy its stakeholders' needs. Furthermore, NPOs may become aware of social changes in advance: they can help companies to move before competitors in fulfilling a social need or to anticipate law requirements. For example, ISP thanks to its collaboration with CGM gained a first mover advantage in conquering the nonprofit sector. Moreover NPOs have a different cast of mind than for-profit companies. They can transfer this mindset to the company, enabling its managers to approach business decisions under a different perspective, as it is happening in Repsol.

In addition, working with the NPO enable the company to access networks the NPO created thanks to its rooted presence in developing countries, as in Acra case with Cameroonians Universities.

Finally, working with an NPO also has a strong reputational impact. This reduces the risk of innovating: even if the innovation ends in a commercial failure the company can take advantage from the brand improvement achieved by collaborating with an NPO. Some of the project ISP developed in partnership with the nonprofit sector, for example, were not successful (i.e. a project to fund immigrant entrepreneurship) but contributed to create the image of a company sensitive to the needs of society. Moreover, the NPO contributes to create trust that favors the adoption of the innovation within the organization (in case of process and organizational innovation) and in the external market (in case of market or product innovation). Again in ISP case, the bank obtained the trust of the social enterprise sector thanks to the PAN project and its collaboration with CGM. The same happened with IBM Italia and the visually impaired people.

All these issues together on the one hand enable the development of the innovation that generate the direct benefits for the company. On the other hand they support in the long run the fulfillment of the strategy of the firm (as showed in the previous section), thus creating an indirect business value.

Also the social value goes beyond the immediate advantage created for the direct recipients of the innovation. The indirect benefits derive from an improvement of NPOs effectiveness, that enlarge the boundaries of the social value created. This improvement may directly derive from the replication of the innovation outcome in different context, as it happened for the MWA technology (Asphi used it for other companies, and other disabilities) and for the new rating model developed in ISP (that was used to fund other projects having high social impact). Moreover, the strict collaboration with the for profit sector activates a learning mechanism, through which NPOs become aware of the effectiveness and usefulness of managerial tools, as happened in Acra, or of the company's core technologies, as for Asphi, for the fulfillment of its social mission. NPOs also learn how to interact with companies as business partners and how to change their business practices in order to improve their sustainability (as in the case of IO with Repsol). The cases also shows that these social benefits deriving from a learning process of NPOs can be diffused to other NPOs, thus spreading the generation of social value.

Figure 3.1 summarizes the results I obtained with respect to the social and business values created by P-NP integrative partnerships in projects leading to the four innovation typologies (product, process, market and organizational).

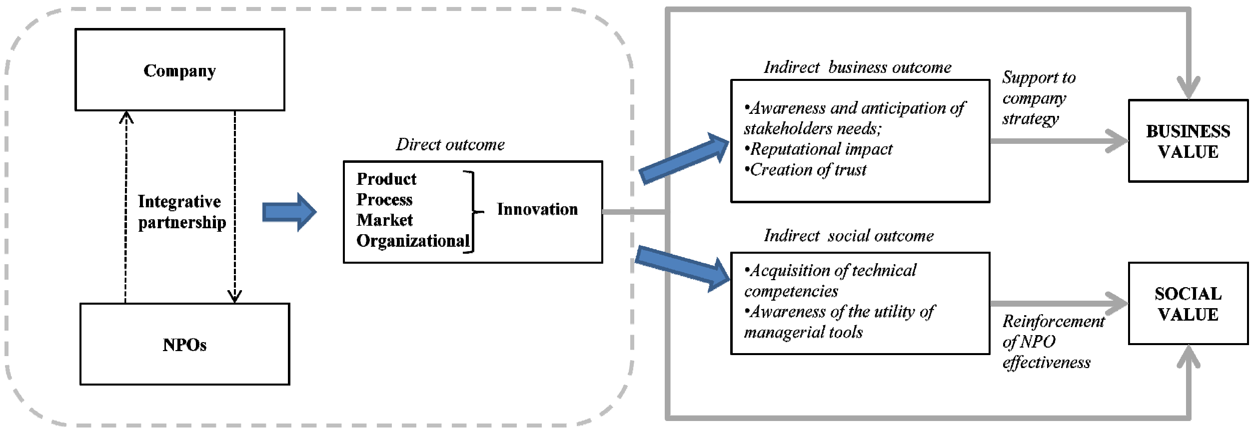

Figure 3.1. Summary of findings

The integrative partnership involving the company and the NPO results in a direct outcome which corresponds to the initial planned aim of the collaboration: a product, process, market, or organizational innovation. This innovation create direct business and social benefits, deriving from the exploitation of the innovation. However, the collaboration also evolves raising indirect outcomes that are not initially predictable. They derive both from an evolution of the innovation outcome, and from the partnership development itself. The indirect outcomes of the partnerships increase the effectiveness of the NPO in fulfilling its social mission, and of the company in achieving its strategic goals, thus increasing the creation of social and business value in the long run.

A final comment concerns the interdependence of the social and business values created by the projects: the business value could not have been reached without the achievement of social one, and viceversa. I exemplify this interdependence in Guna-Acra case: the economic sustainability of the social cooperative created in Cameroon, that is essential for the creation of long-term social benefit, is also fundamental for assuring Guna the long term availability of a reliable supply chain in Cameroon. This economic sustainability is favored by the high quality of extracted Neem oil that, contemporary, represents a business opportunity for Guna that can add it to its products, improving their efficacy.

3.7 Conclusions

The research analyzes in detail the outcome generated by integrative profit-nonprofit partnerships, in terms of value creation for business and society, through the investigation of four cases that led each to one of the four innovation typologies identified in the Oslo Manual (2005).

The research shows that the collaborations actually led to a business value, deriving from the exploitation of the innovation, and to an immediate social value for the final beneficiaries of the NPO. These direct benefits were predictable and implicit in the realization of the partnership. However, from a business perspective, the analysis shows that the results achieved by the companies go beyond the direct benefit deriving from innovation. The collaborations had relevant business benefits, unexpected at the beginning of the project, that contribute to the realization of the corporate strategy. In parallel, from the social perspective, the partnerships originated a learning process in the NPOs that may lead to a further future spread of the social value. The research had also pointed out the fundamental role played by the two partners in achieving the outcomes I underlined, and stressed the mutual dependence of social and business values.

The results show the high potential of these partnerships and spur both companies and NPOs to enter this kind of collaboration. By the way, the four cases can be interpreted as best practices in implementing the renewed EU strategy on CSR presented by the European Commission in 2011, which encourages companies to "*explore the opportunities for developing innovative products, services and business models that contribute to social wellbeing and lead to higher quality and more productive job*s" (European Commission, 2011, p.6). Moreover it provides evidence to policy makers of the importance to encourage this kind of practices. The high variety of the sample, not only in terms of innovation outcome, but also with respect to sector and size of partners, adds further value to this implications, since it suggests the possibility to establish these partnerships in different companies (and NPOs) and in different kind of projects.

A further development of the present research may address the investigation of how, from a managerial perspective, the social and business values where created. In order to understand which are the key success factors influencing the social and business value creation, and how to manage them, a further interesting evolution of the present study could be to investigate these aspects focusing separately on one kind of innovation or on one specific business sector and NPO type (e.g. foundation, NGO, social enterprise).

Conclusions

This thesis is framed in the broad topic of strategic Corporate Social Responsibility, and aims to fit two major gaps identified in literature in relation to this issue.

Form the '50ies, when the concept of social responsibility firstly emerged, it evolved from a philanthropic approach to a more strategic one. In response to the numerous critics stating that CSR did not create value for companies' shareholders (Friedman, 1970), many authors began to investigate the competitive advantages CSR can provide. Demonstrating the 'business case' for CSR has not been an easy task, and for many years academics did not reach common conclusions with this respect (Margolis and Walsh, 2003; Orlitzky, 2003). Recently, it emerged the perspective that CSR, if embedded into business strategy, may indirectly impact on firm's competitiveness and financial performance, through its direct impact on several mediating variables, among which innovation plays a fundamental role (McWilliams and Siegel, 2001). Coherently with this academic position, the European Commission encourages companies to integrate CSR and strategy (European Commission, 2001 and 2011), and underlines the role of innovation in this perspective (European Commission, 2011).

Looking at the literature on the integration of CSR into corporate strategy, and considering the role of innovation in this perspective, I found two main open issues. Firstly, the role that CSR formal tools related to the implementation of CSR can play in the integration of CSR into strategy is still controversial. Secondly, despite the strategic relevance to use CSR as a driver of innovation, in order to reconcile CSR and competitiveness, the managerial and organizational aspects of CSR implementation that can favor the generation and development of CSR-driven innovation remain scarcely explored. The present thesis aims to fill these gaps of literature. Moreover, considering the results of the second part of the research, it also wills to deepen the analysis of profit-nonprofit partnerships as a source of innovation, investigating their business and societal outcomes. The three main chapters of the thesis has been dedicated to investigate these three major issues. In the following I summarize the main results I obtained with respect to each of them.

The first chapter analyzed the governance of CSR, in order to underline how the tools used to formalize the companies' approach to CSR can foster the integration of CSR into corporate strategy. Firstly, based on an in depth literature review, I provided a definition of a CSR integrated into corporate strategy. This occurs when CSR initiatives are related to the company core business, CSR objectives are included in strategic ones and in managers' variable compensation system, when the firm develops innovative and ad hoc tools for stakeholder engagement, and establishes long term relations with nonprofit organizations. I also defined a formalized approach to CSR, which consists in the creation of a formal department dedicated to CSR, in the adoption of ethical codes or code of conducts, in communicating CSR efforts through sustainability reports, in the inclusion in ethical indexes, and in the adoption of certified management standards. Academics do not share a common vision on the usefulness of these tools in the integration of CSR into corporate strategy. Porter and Kramer (2006) describe them as having in the majority of companies only a 'cosmetic role', without providing a strategic framework for the implementation of CSR initiatives. To understand the relation between formalization and integration of CSR I compared these two dimensions in the eleven large companies that constituted my research sample. Firstly, I concluded that a high level of integration can be reached even without the support of formal tools. However, this is possible only in presence of some 'soft factors', related to the companies' sector, ownership structure, values, mission and business models. These elements, which are part of the companies' DNA, determine the coincidence between CSR issues and these companies' strategy: that is why we called them *values driven* for their approach to CSR. On the contrary, the level of formalization can overcome the level of integration. In this case companies are interested in the reputational impact of CSR formal tools (as stated by Porter and Kramer, 2006) but they also use them to support the management and reduction of reputational risks (we addressed this companies as *risk mitigators*). However, in the majority of companies, a high level of integration also corresponds to a high level of formalization. In these companies formal tools are used with a more strategic role. Ethical codes represent concrete guidelines that drive employees behaviors, the process of redaction of the sustainability report, together with the self-assessment for the inclusion in ethical ratings, represent the basis for systematically evaluate the company's CSR effort and highlight lacking areas, in a perspective of continuous improvement. This process is supported by the implementation of management systems for the different areas of CSR and by the role of the CSR manager who coordinate and foster the improvement loop. The identification of areas of improvement, and the continuous proactive approach to address them, represent important drivers of innovation of the company's products, processes or organization: that is why we addressed these companies as *innovators*.

The following two chapters of the thesis focus especially on CSR as a driver of innovation, through which CSR commitment translates in competitive advantage. I firstly analyzed the managerial and organizational aspects that may favor the development of CSR driven innovations. Then, focusing specifically on one of these managerial aspects (the development of innovation in partnerships with the nonprofit sector) I analyzed the outcomes of these partnerships in terms of share value creation.

In the second chapter of the thesis I obtained important indications for Chief Executive Officers and CSR managers willing to put strategic CSR into practice through innovating their products, services and business models. I analyzed the organizational and managerial enablers of CSR-driven innovation in a company where this kind of innovations represent a central element of the CSR strategy. The selection of the case study derived from the deep knowledge of its CSR strategy gained in the previous part of the research. In Intesasanpaolo (the company I have chosen for the explorative analysis) CSR-driven innovations consist in new banking products and services developed with the social intent to provide access to financial services also to those social categories that do not have an on-going income, and cannot provide real or personal guarantees, for example young people and immigrants. These CSR-driven innovations have an immediate social benefit, since “non access to banks” is often paired with social exclusion, and also represent sources of business value since they favor the bank access to new niche market areas. The single case study I analyzed outlined which are the main aspects that favored the raising and development of these innovations. The CSR approach of the company in the last few years strongly reinforced the process of stakeholder engagement, which emerged from the research as one of the main elements that enables the CSR-driven innovation’s idea generation. Within the stakeholder categories involved in a dialogue with the bank a primary role is played by nonprofit organizations, with whom the bank entertain a frequent dialogue also thanks to the presence of Banca Prossima, a bank of the group specifically dedicated to the third sector. The nonprofit organizations do not only represent a privileged antenna through which the company catches the “weak signals” coming from the society, but are also partners in an open innovation approach (Chesbrough *et al,* 2006), since they are providers of distinctive competence and capabilities necessary for the development of CSR-driven innovations. Moreover, the empirical analysis put the accent on the role of the Bank and Society Laboratory, fostering the success of CSR driven innovations. This Laboratory is a corporate unit in staff to the CEO that acts as a structurally independent unit. It has its own processes and culture, it has a specific social mission which diverges from the for profit approach of the main bank, and it is strongly supported by the direct sponsorship of the bank CEO. These features resemble the one of structurally ambidextrous organizations, that has been shown to be an effective way to develop radical product or service innovations (O'Reilly & Tushman, 2004). Thus, stakeholder engagement, partnering with the nonprofit sector and creating an ambidextrous organization appeared to be the fundamental elements favoring the development of CSR-driven innovations. The support of established theories in the innovation field (open innovation and ambidexterity) used for the interpretation of previous results, added robustness to the conclusions driven from single case study analysis, although the obvious scarce generalizability of the results.

Maintaining the focus on innovation, and considering the results of the previous research, the last part of the analysis has been aimed to investigate the outcome, in terms of business and social value, of profit-nonprofit partnerships leading to four different innovation typologies: product, process, market and organizational. The research shows that the collaborations actually led to a business value, deriving from the exploitation of the innovation, and to an immediate social value for the direct beneficiaries of the NPO. These direct benefits were predictable and implicit in the realization of the partnership. However, from a business perspective, the analysis shows that the results achieved by the companies go beyond the direct benefit deriving from innovation. The collaborations had relevant business benefits, unexpected at the beginning of the project, that contribute to the realization of the corporate strategy. In parallel, from the social perspective, the partnerships originated a learning process in the NPOs that may lead to a further future spread of the social value. The four cases I used for the multiple case study analysis can be interpreted as best practices in implementing the renewed EU strategy on CSR presented by the European Commission in 2011, which encourages companies to "explore the opportunities for developing innovative products, services and business models that contribute to social wellbeing and lead to higher quality and more productive jobs" (European Commission, 2011, p.6). This perspective enlightens the managerial implications of the analysis, as it shows the high business potential of these collaborations. Moreover it provides evidence to policy makers of the importance to encourage this kind of practices. The high variety of the sample, not only in terms of innovation outcome, but also with respect to sector and size of partners, adds further value to this implications, since it suggests the possibility to establish these partnerships in different companies (and NOGs) and in different kind of projects.

Summarizing, the present research encourages to improve the integration of CSR into corporate strategy, mainly through the mean of innovation. With respect to the first issue I investigated, I underlined the usefulness of formal tools in improving the integration of CSR into strategy, and also fostering an innovation process. Then I entered in the managerial enablers of CSR-driven innovations, and I found evidence of the importance of implementing stakeholder engagement tools, establishing partnership with the nonprofit sector and creating ambidextrous organizations for favoring the raising and development of CSR-driven innovations. Finally, I deepened the investigation of profit-nonprofit partnerships as a source of innovation, analyzing in depth the business and social value they can generate.

These findings, on the whole, represent important indications for managers (CSR managers in particular) willing to follow the European Commission guidelines on CSR, which go in the direction of an increasing integration between CSR and business, till the achievement of the concept of “shared value”, which Porter and Kramer (2011) defines “*not social responsibility, philanthropy, or even sustainability, but a new way to achieve economic success*” (Porter and Kramer, 2011, p.4).

Furthermore, from an academic viewpoint the thesis underlines the potential of using innovation theories for interpreting CSR-related issues. In this perspective, I would like to underline the potentialities in terms of literature and managerial implications of a further investigation of profit-nonprofit partnerships in an innovation perspective. The last part of this thesis provides evidence of the potential values of these partnerships. Once established their business and social relevance, it could be useful to enlarge the results obtained by the literature on innovation partnerships or networks between for profit actors, to include also this emergent kind of partner. In particular, the literature on collaborations between firms for the development of innovation investigated several issues: the organizational form of the partnership (Brockhoff, 1991; Millson e al, 1996); the partnership performance measurement and management (Bammer, 2008; Faems et al, 2004; Noteboom, 1999); the partnership control (Carson et al, 2003); the role of trust in innovation partnerships (Littler et al, 1995; Bstieler, 2006). Given the peculiarities of nonprofit actors, all the previous aspects may provide interesting results if applied to profit-nonprofit alliances.

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