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### "CSR PRACTICES AND THE ROLE OF SUSTAINABILITY CHAMPIONS: AN EMPIRICAL ANALYSIS"

**RELATORE:**

**CH.MA PROF.SSA FEDERICA RICCERI**

**LAUREANDO: MARCO PADOVAN**

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# INTRODUCTION

Recent studies focused their attention on individuals that are capable of influencing corporate sustainability practices through their leadership values, skills and styles (Visser and Courtice, 2011; Epstein, 2014; Du, 2013).

These natural leaders implement sustainability policies by inspiring and communicating their values and vision throughout companies affecting the corporate structure at all levels.

The aim of this study is therefore to show the evolution of CSR practices (namely: the internal management system and the external reporting of sustainability issues) over a nine years period within which a change at the top of the company took place; i.e. the appointment of a new CEO that devoted special attention to CSR issues.

In the first chapter, the historical background of the main CSR theories, the environmental, social and economic aspects of corporate sustainability and both internal and external drivers that push an organization to adopt sustainability policies ad practices are addressed.

Furthermore different types of corporate sustainable strategy are will be identified depending on the proactive or reactive approach of the management and both internal and external sustainable reporting processes are investigated in order to explain how they are made up and developed, what is their aim, to whom they are addressed and the existing linking between them.

In the second chapter, individual characteristics of leaders as skills and traits of personality of different contexts, their critical role in implementing sustainability actions, whether from the bottom or the top, and the different types of leadership's style, such as autocratic or charismatic, influencing CSR will be outlined.

In the second part of the chapter, the role of sustainability champions is discussed more in detail by highlighting their corporate positions, behaviours, main features and in particular distinguishing between categories of sustainability entrepreneurs, characterised by personal values as integrity and honesty, and types of sustainability managers, who rely more on a technical expertise. Moreover the sustainable innovation linked to both market products and production processes created and integrated by these "champions", which is likely to be their most important contribution, and the different tools implemented by the management as social and environmental accounting systems to achieve sustainable goals are reviewed.

Finally, a summary of recent studies on the relationship between CSR and leadership is provided.

In the third chapter, the methodology adopted to examine the case study is illustrated.

The thesis uses two main techniques: content analysis, performed on the sustainability documents produces by the case study company and also considers the data of four interviews to corporate managers involved in the CSR reporting process.

In addition the main environmental efforts in energy and water consumption, packaging and emissions improvement with the related main key performance indicators trend are shown to analyse if real improvements took place.

Afterwards, an overview regarding the company's main environmental internal management system practices and sustainability reporting processes is performed with the idea of highlighting possible links between changes in internal practices, changes in disclosure and the enrolment of a new CEO.

Finally, the results obtained from the content analysis of the environmental section of sustainability reports from 2008 to 2016 are summarized, by depicting a table with categories and elements used to code the text to explain how the analysis was performed and graphs showing the trend across these years of the type (numerical and narrative) and the disclosure's amount of the four categories' relevant information.

Limitations of this study and suggestions for further research are then provided.

# CHAPTER 1
## Introduction to corporate sustainability

1.1 Corporate Sustainability and Corporate Social Responsibility

The concepts of Corporate Sustainability (CS) and Corporate Social Responsibility (CSR) influence corporate developments in different ways: CS aims at the management of corporate environmental, economic and social effects to achieve sustainable development of the company and its business as well as contributing positively to the sustainable development of the economy and society in which it operates, whereas CSR places a responsibility on companies to deal with societal issues on a voluntary basis in collaboration with their stakeholders. Thus, CS and CSR both deal with the activities of companies in response to the need for sustainable development but while CSR emphasizes the benefits to a company's external stakeholders, CS emphasizes the benefits to the company's stakeholders and to the company itself (Van Marrewijk M., 2003, p.101; Montiel I., 2008, p. 246).

According to the two most complete definitions, corporate social responsibility (CSR) is defined as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society a large" (World Business Council for Sustainable Development, 2000) or as "a concept whereby companies integrate social and environmental concerns in their business operation and in their interaction with their stakeholders on a voluntary basis" (Commission of the European Communities, 2001).

Two concepts that are linked to corporate sustainability are:

- Sustainable development, a term coined by The World Commission on Environment and Development[1] which relates sustainability to environmental integrity and social equity, but also to corporations and economic prosperity, is defined as ''development that meets the needs of the present without compromising the ability of future generations to meet their own needs'' or "a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are all in harmony and enhance both current

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[1]The World Commission on Environment and Development (WCED), also known as Brutland Commission, was an international commission promoting sustainable development across the world founded in 1983, which discussed and planned strategies for protecting the environment.
In 1987 the WECD published its final report "Our Common Future", which stated that governments could not address environmental protection separately from other related crises.

and future potential to meet human needs and aspirations" (WCED, 1987, "Our Common Future", p. 43).

The WCED recognized that the achievement of sustainable development could not be simply left to government regulators and policy makers, but also to the industry had a significant role to play: corporations needed to be more proactive in balancing economic dimension with social equity and environmental protection, partly because they have been the cause of some of the unsustainable conditions, but also because they have access to the resources necessary to address the problem (Mel Wilson, 2003, p. 1).

- Corporate accountability is significant to corporate sustainability because it defines the relationship between companies and the society in which they operate and provides a framework to evaluate and report on their environmental, social, and economic performance contributing to define the relation between corporate management and stakeholders  (Mel Wilson, 2003, p. 1).

  Global reporting Initiative (2002, p. 9) states: "a primary goal of reporting is to contribute to an on-going stakeholder dialogue… Reports alone provide little value if they fail to inform stakeholders or support a dialogue that influences the decisions and behaviour of both the reporting organisation and its stakeholders''... and such process is governed by the principle of accountability through the inclusion of all stakeholders groups expectations.

  Accountability is therefore defined as the legal or ethical responsibility to provide an account or reckoning of the actions for which one is held responsible (UN Commission on Sustainable Development, 1997).

In particular, the concept of corporate sustainability borrows elements from three theories:

1) Stakeholder theory

R. Edward Freeman, first popularized stakeholder theory, in his 1984 book "*Strategic Management: A Stakeholder Approach",* where a stakeholder is defined as "any group or individual who can affect or is affected by the achievement of the organization's objectives." The basic premise of stakeholder theory is that the stronger your relationships are with other external parties, the easier it will be to meet your corporate business objectives; the worse your relationships, the harder it will be. Strong relationships with stakeholders are those based on trust, respect, and cooperation. Unlike CSR, which is largely a philosophical concept,

stakeholder theory was originally, and is still primarily, a strategic management concept. The goal of stakeholder theory is to help corporations strengthen relationships with external groups in order to develop a competitive advantage.

According to the stakeholder view of the firm (Donaldson and Preston, 1995; Clarkson, 1995; Post et al., 2002), a company can last over time if it is able to build and maintain sustainable and durable relationships with all members of its stakeholder network.

From this point of view, a company creates value when it adopts a managerial approach, which is sustainability oriented. In general, corporate sustainability can be considered as 'a broad approach that includes various characteristics, in particular relating to the contextual integration of economic, environmental and social aspects' (Schaltegger and Burritt, 2005, p. 189). In more detail, according to the definition given by AccountAbility (1999, p. 94), 'sustainability is the capability of an organization to continue its activities indefinitely, having taken due account of their impact on natural, social and human capitals'. A sustainability-oriented company is one that develops over time by taking into consideration the economic, social and environmental dimensions of its processes and performance.

Therefore, financial and competitive success, social legitimacy and efficient use of natural resources are intertwined according to a synergetic and circular view of the company's aims.

In this perspective, value creation processes are broad and shared and meet, in different ways, the stakeholder expectations. For this reason it is possible to make a shift in the generally adopted notion of value and introduce the concept of stakeholder value (Figge and Schaltegger, 2000).

Thus, the sustainability of a firm depends on the sustainability of its stakeholder relationships: a company must consider and engage not only shareholders, employees and clients, but also suppliers, public authorities, local (or national, according to a firm's size) community and civil society in general, financial partners etc. Nowadays, and mainly in the future, the quality of stakeholder relationships must be the guiding principle for the managerial decision-making process and the pillar of a more comprehensive corporate strategy.


2) Institutional Theory

Institutional theory is traditionally concerned with how groups and organizations better secure their positions and legitimacy by conforming to the rules (such as regulatory structures, governmental agencies, laws, courts, professions, and scripts and other societal and cultural practices that exert conformance pressures) and norms of institutional environment (Di Maggio and Powell, 1991; Scott, 2007).

Institutional theory describes three forms of drivers that create pressure in organizational

strategies, processes and structures:

These drivers are coercive, normative, and mimetic:

- Coercive pressures occur from influence exerted by those in powerful positions and are crucial to drive environmental management and sustainability (Kilbourne et al., 2002, p. 195);

- Normative drivers ensure organizations to be perceived as legitimate and drive enterprises to respond to environmental issues (Sarkis et al. 2011, p. 4, Ball and Craig 2010, p. 284);

- Mimetic drivers occurs when enterprises imitate the actions of successful competitors in the industry, in an attempt to replicate the path to success and hence legitimacy (Aerts et al., 2006, p. 305; Sarkis et al., 2011, p. 4).

Jennings and Zandbergen (1995, p. 1017) analyse the role of institutions in shaping the consensus within a firm regarding the establishment of an "ecologically sustainable" organization. According to this theory, external social, political and economic pressures influence firm's strategies and organizational decision-making as firms seek to adopt legitimate practices or legitimize their practices in the view of other stakeholders.

This theory can be used to explain how changes in social values, technological advancements, and regulations affect decisions regarding "green" sustainable activities (Ball and Craig, 2010, p. 284; Rivera, 2004) and environmental management (Brown et al, 2006; Fowler and Hope, 2007, p. 28; Tate et al, 2010, p. 21).

According to Deegan (2006, p. 169), institutional theory links organisational practices, including voluntary CSR disclosure and engagement in CSR activities, to the values and norms of the society in which the organization operates.


3) Legitimacy Theory

Legitimacy theory implies that a "social contract" exists between a business organisation and its respective society, which is considered as a whole without considering the individuals separately (Deegan, 2006, p. 162).

It also argues that "organisations can only continue to exist if the society in which is based perceive the organisation to be operating to a value system that is commensurate with the society's own value system" (Gray et al., 2010, p. 28).

Lindblom (1994) suggested four legitimisation strategies which can be adopted by an organization in order to legitimise its operations within the society in which it operates, which are: educate relevant stakeholders about its actual performance; change the perceptions of the relevant stakeholders about the underlying issues without changing the organization's behaviour, manipulate the attention away from the issue of concern and seek to divert

attention to favourable and seek to change external expectations about the organisation's performance.

These strategies can be employed by adopting CSR activities and reporting (as an example the way in which organizations used to disclose positive CSR behaviour rather than negative news) and imply that through CSR disclosure, organizations seek to communicate their legitimisation actions.

To align with legitimacy theory, organisations might engage in CSR activities and reporting in order to retain and gain their legitimacy, this means that the desire to legitimise an organisation's operations through CSR disclosure is considered as the predicted motivation to drive disclosure-related decisions (Deegan C. et al., 2002, p. 317).

When corporate managers are driven by this motivation, "corporations will do whatever they regard as necessary in order to preserve their image of a legitimate business with legitimate aims and methods of achieving it" (De Villiers and Van Staden, 2006, p. 763), as avoiding to disclose bad or negative news related to them or increase positive CSR news in order to maintain their legitimacy.


Therefore we can classify four types of corporate sustainability:


1) Corporate Sustainability as Economic Sustainability

The term corporate sustainability has been used in the traditional strategy and management literature to refer to economic performance, growth and long-term profitability of organizations. The major assumption behind this type of sustainability is that the firm operates in the interests of its owners – its shareholders – through maximizing their wealth (Fowler and Hope, 2007, p.28). Thus, it becomes vital for management to expand consumption of the firm's products and services in order to increase profits through innovative processes, knowledge management, collaboration, research and development. Several studies have shown, however, that engagement with the natural environment can improve firm performance and contribute to a competitive advantage (e.g. Hart and Ahuja, 1996; Sharma and Vredenburg, 1998), which suggests that the realization of economic sustainability alone is not sufficient for the overall sustainability of corporations.

| Innovation and technology | Effort in sustainability related R&D in order to reduce environmental impacts in new products and in business activities. Use of BAT (best available techniques) and integrated environmental technologies, concentration on cleaner production and zero-emission technologies. |
|---|---|
| Collaboration | Good cooperation and active collaboration with various business partners (e.g. suppliers, R&D institutions, universities,…). Working in common programmes and networks on innovative products and technologies. Exchange of information and knowledge. |
| Knowledge management | Activities and approaches to keep sustainability related knowledge in the organization. Methods to plan, develop, organize, maintain, transfer, apply and measure specific knowledge and to improve the organizational knowledge base. |
| Processes | Clear processes and roles are defined so that business activities are efficiently conducted and that every employee knows what the organization expects from him or her (also concerning sustainability). Adaptation of process management on sustainability necessities to implement corporate sustainability systematically. Integration of sustainability into daily business life. |
| Purchase | Consideration of sustainability issues in purchase. Awareness and consideration of sustainability related issues in the organization as well as alongside the supply chain. Relationship with suppliers focusing also on sustainability. |
| Sustainability reporting | Consideration and reporting of sustainability issues within company reports, either in a separate sustainability report or integrated into the corporate one. |

Table 1: Economic aspects of corporate sustainability (Baumgartner and Ebner, 2010, p. 79)

2) Corporate Sustainability as Ecological Sustainability

The second type of corporate sustainability, ecological sustainability, is based on the fact that organizations are not separate from the natural environment but are located and operate within it (Sharma, 2003, p. 207). Organizational activities can have a significant negative impact on the environment, for example through the emission of waste in the air or in the water (Hart, 1997, p. 70) or the exploitation of natural resources (Jennings and Zandbergen, 1995; Stead and Stead, 2008). In turn, environmental quality can impact on business activities, as evident through the impact of climate change (Winn and Kirchgeorg, 2005). Central to the understanding of ecological sustainability is therefore the challenge for organizations to move beyond pollution control or prevention and to operate within the carrying capacity of ecosystems by minimizing resource use and their ecological footprint (Hart, 1997; Sharma, 2003).

| Resources (materials, energy) including recycling | Use of renewable and non-renewable resources and energy through the company including recycled resources |
|---|---|
| Emissions into the air | Emissions into the air due to corporate activities |
| Emissions into the water | Emissions into the water due to corporate activities |
| Emissions into the ground | Emissions into the ground due to corporate activities |
| Waste and hazardous waste | Waste and hazardous waste due to corporate activities |
| Biodiversity | Impact on biodiversity due to corporate activities |
| Environmental issues of the product | Environmental aspects of the product over the whole life cycle |

Table 2: Ecological aspects of corporate sustainability (Baumgartner and Ebner, 2010, p. 79)

3) Corporate Sustainability as Social Sustainability

Social sustainability of an organization is the consciousness of responsibility for its own actions as well as an authentic and credible commitment (mostly long term) in all business activities and more, aiming to stay successfully in the market for a long time, it is aimed to positively influence all present and future relationships with stakeholders. Furthermore, the fulfilment of their needs is focused on for assuring stakeholders' loyalty for the company' (Ebner, 2008).

Numerous studies have been published on business related social issues, including occupational health and safety, corruption, human rights, corporate governance, discrimination, business ethics, fraud, corporate philanthropy, minority concerns, community welfare and stakeholder demands (Shrivastava, 1995) and concepts such as "corporate social sustainability" (Dyllick and Hockerts, 2002, p. 134) and 'socially sustainable businesses' have emerged. In general, social sustainability means an organization who (1) pays attention to its internal staff development, (2) attempts to deal proactively with its community base and (3) engages with its stakeholders.

| Corporate governance | Transparency in all its activities in order to ameliorate relationship towards its stakeholders. Giving insight into all relevant data; following rules of (stock)markets on corporate governance and defining responsibilities and behaviour of the board. |
|---|---|
| Motivation and incentives | Active involvement and exemplary function of management on sustainability topics for employees. Awareness of needs, claims and motivation factors of employees in order to implement sustainability sufficiently into the organization due to support of management for acting in sustainable way (e.g. time, money, resources). Development of incentives and reward systems (monetary, non-monetary). |
| Health and safety | Guarantee that no health and safety risks occur when working in/for the organization. No negative impact of employees' physical health at any time. Operation of programmes for employees to prevent dangers and to stay generally fit and healthy (e.g. in developing countries). |
| Human capital development | Development of human capital for sustainability related issues through specific programmes such as permanent education, mentoring or training. Broad cross-working education (job enrichment, job enlargement) in order to become aware of the different challenges and issues of corporate sustainability. |

Table 3: Internal social aspects of corporate sustainability (Baumgartner and Ebner, 2010, p. 80)

| | |
|---|---|
| Ethical behaviour and human rights | Ethical behaviour towards sustainability consisting of well established, basic assumptions and principles relating the cooperation within an organization and the behaviour towards (external) stakeholders. Regarding sustainability, important elements are a culture of respect, fair rules and behaviour within an organization (and between its subsidiaries) and fair wealth/profit allocation, as well as serious consideration of stakeholders' ideals and needs. No harm of employees, either concerning their religious belief, gender, nationality or colour or concerning people who are handicapped or aged. |
| No controversial activities | No holding of shares on organizations that are mostly defined as not sustainable (e.g. uranium mining). No use or sale of own assets and goods for non-sustainable activities. |
| No corruption and cartel | Behaving fairly on the market and avoiding manipulating business practices. This includes no rule-breaking, no price-fixing or joining a cartel and no corruption for gaining advantage. |
| Corporate citizenship | Being a good corporate citizen on a national level; conservation of subsidiaries in the country and establishment of economic power of a country as well as an increase in society's lifestyle. Support of stakeholders (and others) and their issues on regional level; participation or creation of sustainability related activities for the local community. Orientation on future generations without exploiting the present (or nature). |

Table 4: External social aspects of corporate sustainability (Baumgartner and Ebner, 2010, p. 80)

4) A Holistic Perspective of Corporate Sustainability

The holistic perspective of corporate sustainability results from an integration of the three previous perspectives, which is also reflected in the works of Dunphy (2003), Van Marrewijk (2003) and Young and Tilley (2006). For organizations, this implies the need to simultaneously improve social and human welfare while reducing their ecological footprint and ensuring the effective achievement of organizational objectives (Sharma, 2003).

While some scholars assume that corporate sustainability is only achieved when an organization con siders these three perspectives (Bansal, 2005; Dyllick and Hockerts, 2002), others have adopted a broader systems approach and argued that organizations should consider interrelations with their environments on various dimensions, such as the individual, organizational, political–economic, socio-cultural and ecological–environment levels (Sharma and Ruud, 2003).

1.2 Corporate sustainability drivers

Corporate Sustainability is driven by many factors (Hopkins, 2002; Oskarsson and von Malmborg, 2005; Salzmann, 2005, p. 125), which are divided into:

1. External, concerning relations with external stakeholders, which tend to result in reactive measures (e.g. government environmental regulation and standards);

2.  Internal, dealing with processes inside corporations, which are proactive toward sustainability change.

One of the most important internal drivers for corporate sustainability is the ethical leadership, which is a key element for the successful introduction, implementation and institutionalisation of sustainability change (Gill, 2003; Doppelt, 2003; Baumgartner & Zielowski, 2007; De Simone and Popoff, 2000).

Other internal drivers can include: risk management and protection of business reputation, improvements in economic values and enhancements in corporate image.

| Internal motivations | External motivations |
|---|---|
| • Attract and retain employees | • Avoid fines and penalties |
| • Help improve trust within the company, *i.e.* stronger employee motivation and commitment | • Help improve trust outside the company, *i.e.* with business partners, suppliers, consumers, and others |
| • Have a more compliant workforce | • A belief that corporations must earn their 'licence to operate' |
| • Increase employee productivity | • Meet and exceed stakeholder expectations |
| • Help to increase product quality | • Behave ethically |
| • Help boost innovation and innovative practices | • Improve relations with regulators and ease access to permits |
| • Help manage risks, intangible assets, and internal processes | • Improve access to markets and customers |
| • Improve performance and generate more profits and growth | • Improve customer satisfaction |
| | • Help to restore trust in corporations |
| • Reduce costs while improving process efficiencies and reducing waste | • Help enhance corporate and brand reputation |
| | • Reduce or eliminate pressures from NGOs |

Table 1: Internal and external motivations to engage in CSR (Lozano, 2013, p. 36)

Although a number of authors have been discussing the leverage and drivers for the CS concept, they have mainly taken either an external (companies as 'black boxes') or internal perspective (companies as isolated 'islands').

A limited number of authors have considered a holistic perspective of sustainability, where there are interactions between the economic, environmental, and social dimensions in the short and long term, as well as, between internal and external stakeholders; there are a large number of recognised drivers that affect the complex social organisations that are corporations.

Corp. Sust.

17 Stakeholders expectations
Social legitimacy 18
Competitors benchmarking 1
2 Corporate and brand reputation
16 Generate/restore trust
15 "License to operate"
3 Customer satisfaction
14 Access natural resources
13 Limited operations areas
12 Political lobbies
11 Alliances and partnerships
10 International treaties
9 Ease regulatory pressure
8 'Polluter pays'
7 National government
6 Access to markets and customers
5 Future sustainability markets
4 Markets expectations

INTERNAL
16 Profits and growth
6 Productivity
15 Employees' shared values
Leadership
Trust 5
1 Innovation
7 Quality
8 Pollution prevention
14 Attracting and maintaining labour
Ethics
2 Resources and cost savings 9
Stakeholders expectations 3
13 Personal engagement
Shareholder value 12
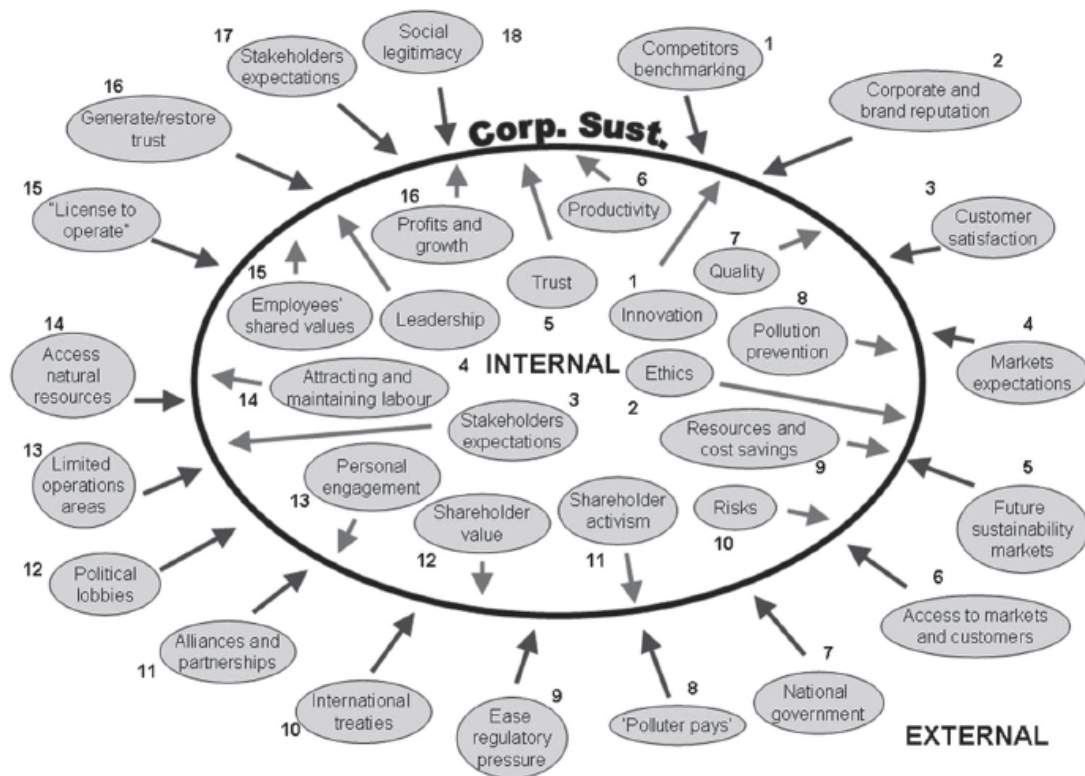Shareholder activism 11
Risks 10
4 INTERNAL

EXTERNAL

Figure 2: Corporate sustainability internal and external drivers (Lozano, 2013, p. 36)

This poses a challenge for corporate leaders and champions on how to manage and balance the internal, connecting, and external drivers and stimuli, so that the company can respond quickly to external forces, and promote and reward internal drivers (Lozano, 2013, p. 42).

1.3 Corporate sustainability strategy

Once managers have identified which aspects of business activities have significant impacts on sustainability issues (such as labour practices, energy consumption, and work force diversity) they must formulate a sustainability strategy that includes the company's values, commitment, and goals, especially for multinational companies operating globally, who must decide whether they will implement a global sustainability strategy or adapt it locally (Epstein and Roy, 2001, p. 591).

For a comprehensive corporate sustainability strategy, it is necessary to consider all sustainability dimensions, their impacts, and their interrelations (Baumgartner and Ebner, 2010, p. 77).

Different sustainability strategies can be distinguished which are based on a range from reactive strategies to offensive and proactive strategies; they can be interpreted as simultaneous progression and as categorical models (Schaltegger and Dyllick, 2002;

Baumgartner, 2009; Baumgartner and Ebner, 2009, p. 104-105 81-86):

• Introverted (or risk mitigation) strategy: focus on legal and other external standards concerning environmental and social aspects in order to avoid risks for the company, it can be seen as a transformative strategy because it interacts with the market and tries actively to change market conditions, creating new opportunities.

• Extroverted (or legitimating) strategy: Within the extroverted strategy we can differentiate between the conventional and the transformative approach.

A company focusing on the conventional extroverted strategy aims at communicating its sustainability commitment to society in order to differentiate itself from the competitors and to increase its credibility.

In the extroverted strategy, the responsibility for corporate sustainability is often located in the PR or communication department, which increases the risk of *green-washing*[2] in the case of limited cooperation between the communication department and other corporate functions and processes.

As this strategy is focused on external presentation of sustainability, these aspects are especially important which supports the increase of credibility in society such as corporate citizenship, no corruption or cartel, health and safety and also collaboration to improve the relationship and working together with stakeholders on related sustainability issues.

The transformative extroverted strategy aims at positively influencing the basic conditions of corporate sustainability, a company following this strategy is a driver for corporate sustainability in society and gains therefore much higher credibility.

• Conservative (or efficiency) strategy: Within this strategy, commitment is especially crucial in the investment in appropriate technology, sophisticated health and safety for employees and above all ecological sustainability, moreover it focuses on internal measures as cost efficiency, which have to be derived in order to analyse and to increase the processes and to assess corporate sustainability.

• Visionary (or holistic sustainability) strategy: focus on sustainability issues within all business activities; competitive advantages are derived from differentiation and innovation,

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[2] Greenwashing is the act of misleading consumers regarding the environmental practices of a company (firm-level) or the environmental benefits of a product or service (product-level).

offering customers and stakeholders' unique advantages, they occurs in two different forms: in a conventional way and in a systemic way.

Conventional visionary strategies are based on market opportunities, as long as sustainability issues lead to market advantages, they are oriented to a market leader positioning.

Systemic visionary strategies combine this view with an inside-out perspective with an outside in perspective in order to achieve a unique competitive position, but based on an internalization and continuous improvement of sustainability issues inside the company, which has to show to the stakeholders and the market its sustainability commitment, and moreover to be active in changing positively basic conditions towards sustainability effort.

### 1.3.1 Sustainability strategy planning

Since each strategy needs an individual and situation-specific design, the starting point in planning a sustainable development strategy is the determination of the contextual factors and the consideration of sustainability aspects on the normative management level.

The analysis of the contextual factors gives an indication of the relevance of sustainable issues for the company; it has to be clarified to which extent sustainable development and sustainability aspects are an element of the corporate vision, mission statement, and culture.

Planning a corporate sustainability strategy requires a shared understanding of the idea and concept of sustainable development and should be based on a sustainability-related vision and mission statement.

Therefore, before strategy development, it should be clarified how much sustainability is part of the vision and mission statement. Regarding the social dimension, balancing relations with stakeholders is essential and regarding the environmental dimension, increasing the environmental performance is at the heart of sustainability issues to be considered.

Corporate sustainability strategy planning can be divided into the following phases (Baumgartner, 2014, pp. 264-265 and Baumgartner, 2010, pp. 81-87):

1) Defining the basic strategic orientation – passive (introverted) or active (extroverted, conservative, visionary) sustainability strategy, based on the contextual factors and the normative foundation.

The key decision to take is between an introverted strategy and the other strategy types.

An introverted strategy will be selected if the contextual factors show a minimum relevance of sustainability issues for the company or if sustainability is not part of the normative level.

Similarly, companies often unconsciously pursue this strategy if they don´t deal actively with sustainability and consequences of sustainable development for their company. If no

introverted strategy is chosen, proceed with the following steps.

2) Setting long-term sustainability objectives and planning of activities using *backcasting[3]* and forecasting: in this step, long-term sustainability objectives, based on *Framework for Strategic Sustainability Development of sustainability principles* [4], are determined. The contribution of the company to achieving the objectives of sustainable development in the medium and long term has to be fixed. For this, backcasting is an applicable planning principle using the four FSSD principles to determine the long-term objectives of the company. For each principle, the desired future contribution of the company and the effective date to reach these goals is determined, the further this date is placed in the future, the more ambitious the goals that can be formulated.

Based on these long-term goals and based on the specific situation of the company, on the expectations of stakeholders, and on anticipated future developments, strategic measurements and activities have to be designed using classic approaches for strategy development.

3) Defining the active strategy type (extroverted, conservative or visionary) and planning activities, measurements and specific goals. In this step, the strategy is further detailed and the specific strategy type and concrete measurements, activities, and goals are planned. Activities can focus on different action levels, i.e. on the output, the production, the company itself, the product lifecycle or the full participation of the stakeholders. The strategy type and the goals and activities have to support the basic competitive strategy of the company in order to contribute to the strategic position of the company in the market and in order to secure and increase the economic success.

It should be noted that these steps are not executed independently, but are connected with feedback and learning loops.

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[3] Backcasting is based on the idea of first defining a desired future state and afterwards planning strategies and actions to achieve this desired state (Holmberg and Robèrt, 2000).

[4] The FSSD is a science-based process of continuing learning that incorporates other methods, tools, and concept into a shared overview and deals with complex sustainability challenge society in order to facilitate analysis, planning and decision-making across sustainability dimension.

Basic principles are set on the basis that in the sustainable society, nature is not subject to systematically increasing of (Robèrt *et. al*, 2002):

1. concentrations of substances extracted from Earth's crust;
2. concentrations of substances produced by society;
3. physical degradation of nature and natural processes;
4. conditions that undermine people's capacity to meet their basic human needs.

1.3.2 Sustainability strategies implementation

On the operational management level, the corporate sustainability strategy is implemented, i.e. strategic plans are executed within the company. The different corporate functions with typically relevant sustainability issues are divided for instance into logistics and material management, production, maintenance, marketing, human resources, and communication and public relations. Innovation and continuous improvement are seen as cross-functional areas integrated into the other corporate functions.

For each corporate function, specific sustainability-oriented activities have to be carried out, e.g. capital investments in new technologies, product or process redesign in R&D department, programs to promote ethical sourcing, work force diversity in the HR department, promote social and environmental product features and lobbying efforts to governmental agencies related to social and environmental issues in the communication department (Baumgartner, 2014, p. 266).

1.4 Sustainability reporting: internal and external perspectives.

There are many reasons to explain the existence of sustainability reporting, which range from business efficiency, market drivers, reputation and risk management (reputation may be enhanced by reporting about successful engagement in non-market matters), stakeholder management (reporting non-financial corporate activities signals a willingness to communicate about and deal with societal issues), legislations, internal champions, industry mimetic motivations (Spence, 2007).

In developing external report, companies need appropriate internal accounting systems to measure and control their own behaviour in order to assess whether they are responding to stakeholder expectations in an effective way and to communicate the results achieved.

These sustainability accounting systems should have the purpose of broadening and integrating the traditional financial approaches to corporate performance measurement.

By communicating information related to sustainability performance to the board of directors, middle management and employees, the internal reporting allows a better decision making process and a better identification of employees' contributions in the form of metrics, charts, reports and recommendations (Epstein and Buhovac, 2014, p. 218).

To implement these systems, "the focus is on developing accounting approaches to provide sustainability information, to design information processes and to understand empirically where in corporate practice the data comes from and the uses to which it can be put" (Spence et al., 2010, p. 86).

Sustainability accounting is, first, a process that provides information flows for management

decisions and, second, a product to be obtained by internal and external parties with an interest in corporate sustainability information.

It consists of elements of an "outside-in" and an "inside-out" approach, which differ in their driving forces behind sustainability accounting.

The orientation towards stakeholder dialogues can be seen as an *"outside-in"* approach, which includes designing the reporting, accounting and communication process of management activities, with this approach the company analyses stakeholder dialogues and screens the information demand of stakeholders to define its key indicators for reporting and the underlying accounting and data collection processes; the aim is to fulfil external information requests and to provide the information that stakeholders are interested in receiving (Schaltegger and Wagner 2006; Herzig and Schaltegger 2006).

The outside-in approach implies a risk that information is generated and reported without sufficient critical reflection on the themes and corporate activities that are actually relevant for successful sustainable business development, external stakeholders usually do not have sufficient knowledge about production processes to judge the main corporate weaknesses, and to know which changes are necessary on the journey towards sustainable organisation and business development.

This approach contrasts with the strategic *"inside-out"* approach of sustainability performance measurement, management and reporting in which managers first analyse the company's business strategy, in particular the main sustainability weaknesses, then design and implement problem solutions, establish a measurement and indicator system, and set up a sustainability accounting and data monitoring system in order finally to report the actual situation, the achievements and the goals for future improvements (Burrit and Schaltegger, 2010, pp. 832-833).

In the first step of transforming the corporate strategy into sustainability information, management is supported with approaches like the sustainability balanced scorecard, eco-control (Henri and Journeault, 2010) or sustainability management control (Schaltegger, 2010), whereas in the second step sustainability accounting proposes that tools depend on the number and type of managers needing information, product, production, mobility, purchasing, research and development... and data can be obtained to assist different types of managers with their decision making in a set of situations (Burritt et al., 2002).

Therefore sustainability reporting, represents the result of the demand from managers to position the company in society and the market and to communicate achievements, its focus is on obtaining information and providing information for problem solving by different managers.

Since the mid-1990s, and increasingly towards the end of that decade, attention shifted to sustainability reports (Kolk, 2004), these reports reflect companies' claims to depict an overall picture of their sustainability activities and to inform stakeholders as to what extent and how corporations contribute to sustainable development.

Various national and international bodies have published guidelines[5], standards, regulations[6] or sets of criteria aiming at helping to harmonise sustainability reporting and providing guidance for management in the reporting process.

The G3 guidelines of the GRI (2006) are certainly the most generally accepted and universally applied sustainability reporting framework and considered to be a de-facto standard.

Other bodies which have developed international guidelines and standards are, for example, the World Business Council for Sustainable Development (WBCSD 2002) and the International Organization for Standardization (ISO 2006).

During the last 15 years many proposals were advanced to integrate and overcome the traditional methodologies, focusing on the financial dimension of corporate performance. Tools such as the balanced scorecard (Kaplan and Norton, 1996), the environmental and social reports (Bennett and James, 1999), the sustainability reports defined according to the triple bottom line[7] (TBL) agenda (Elkington, 1997) and international standards such as the Sustainability Reporting Guidelines fostered by the Global Reporting Initiative and based on the TBL approach (GRI, 2002, 2006) are attempts to face the challenge represented by new information requirements for decision-making processes and communication policies (Wagner and Schaltegger, 2003; Schaltegger and Wagner, 2006).

One of the main challenges related to the (external) integrative sustainability reporting is therefore to outline the impacts of corporate activities from the different angles of the three (environmental, social and economic) perspectives, including conflicting goals, dilemmas, synergies, priorities and decision-making processes (Gray 2006; Herzig and Godemann 2010).

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[5] a guideline is a non-binding guidance document published by a governmental or non-governmental organisation and often based on practical experiences.

[6] Reporting regulations are issued by associations and ministries and have a binding character, they can be based on standards, which, are developed by standardisation organisations and are a common basis for certification procedures.

[7] The triple Bottom Line is an accounting framework that incorporates three dimensions of performance: social, environmental and financial (also called 3Ps: People, Planet and Profit).

Financial reporting
19th century
↑
Economic effectiveness

Eco-efficiency
reporting
1990s
← Eco-efficiency

Socio-efficiency → Socio-efficiency
reporting
1970s

Integration
[contextual/
methodological]
↓
Sustainability reporting
mid-1990s/2000 - ...

**Ecological effectiveness**
↓
Environmental reporting
1980/90s

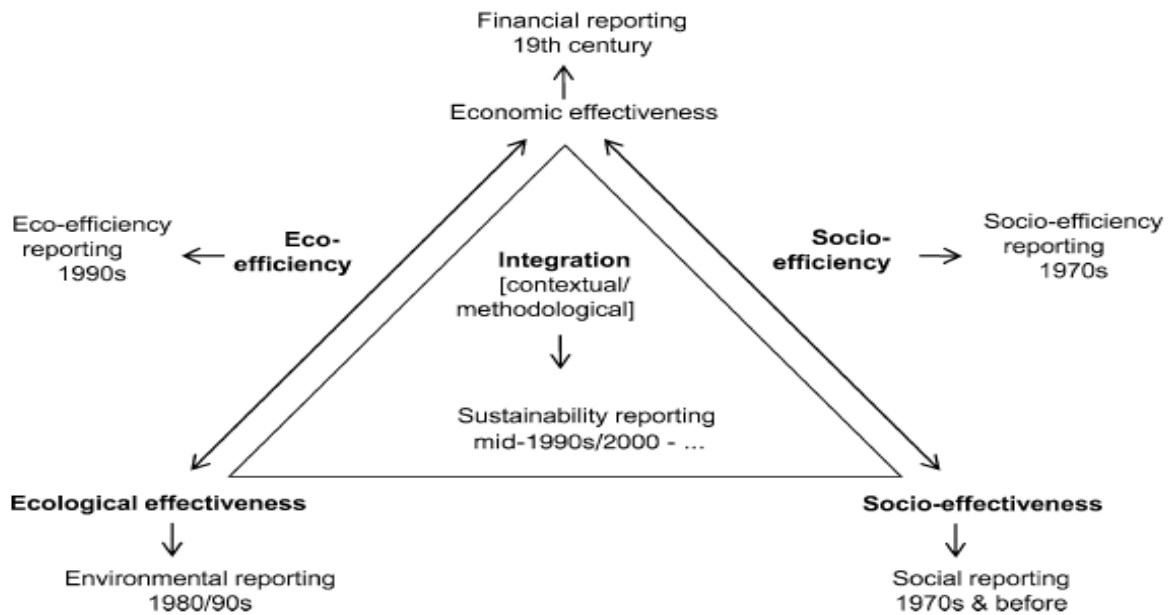**Socio-effectiveness**
↓
Social reporting
1970s & before

Figure 3: Perspectives of sustainable development and development of sustainability reporting based on the three-pillar approach (Herzig and Schaltegger, 2011, p. 153).

For this purpose Perrini and Tencati (2006, pp. 301-303) developed a Sustainability Reporting System that includes:

1) The Annual Report, which includes the profit and loss account, the balance sheet and the statement of cash flows, focuses on monetary values and principles.
Ratios and indicators should be included in order to check the corporate competitiveness in the finance, marketing, operations, technology and quality fields. Furthermore, significant information from a social and environmental point of view is already presented in annual reports with regard to issues related to risk management, potential liabilities, research and development policies and so on. However, if we adopt a stakeholder view of the firm, this tool is not sufficient to cover all aspects of corporate performance, including social and environmental ones.

2) The Social Report, which measures the impact of the company and its activities on the different stakeholder groups, is a methodology capable of supporting the management decision-making process.
It is composed of the ethical policy, the value-added statement and the analysis of stakeholder relationships and the corporate communication/engagement policies.
The ethical policy contains specific corporate commitments toward the stakeholder groups in line with the relational view of the firm. On the basis of these commitments the corporate

social performance is assessed through the other two elements.

The value-added statement is the link between the traditional financial accounting and the social reporting. It measures the (financial) value added generated and distributed by the company to the different stakeholder groups (employees, financial partners, state and local authorities, community, shareholders) or invested into the firm.

The analysis of stakeholder relationships aims to assess the sustainability of the interactions between a company and its stakeholders through qualitative and quantitative information. This analysis also comprises forms of social accounting in order to understand the economic costs and benefits related to social activities and policies (e.g. internal costs and benefits related to the occupational health and safety management).


3) The Environmental Report is a tool a company uses to manage and control corporate activities and support communication with stakeholders, especially those interested in environmental issues.

Its aim is to provide information on ecological effectiveness or the absolute level of corporate environmental impacts such as air and water emissions, types and amounts of wastes, etc.

According to the nature of the environmental information (physical data or financial items) and the object that these measurements refer to (processes or products), it is possible to classify the principal methodologies and combine an accounting system collecting physical data with the measurement of (internal) costs and benefits related to the environmental management choices made as regards processes and products (Burritt et al., 2002).

According to this approach, the environmental report comprises input–output analysis, LCA and cost–benefit account related to environmental management of products/processes.

Therefore, two important kinds of information flow are the object of the environmental reporting system: flows related to physical data – energy and materials accounting and flows related to financial items – monetary environmental accounting.

Energy and materials accounting collects information regarding the environmental impact of company activities.

Input–output analyses gather and organize the information on energy and material consumptions and the related emissions caused by the operations and it's more processes-based.

Ecobalances measure the environmental impact of the main products of the firm in terms of resources consumption and pollution along their entire life cycle (from-cradle-to-cradle approach).

Monetary environmental accounting is a method designed to determine the financial

costs/benefits borne by the company and associated with the environmental management activities carried out by the firm itself and represents the second important dimension in developing a corporate environmental report.
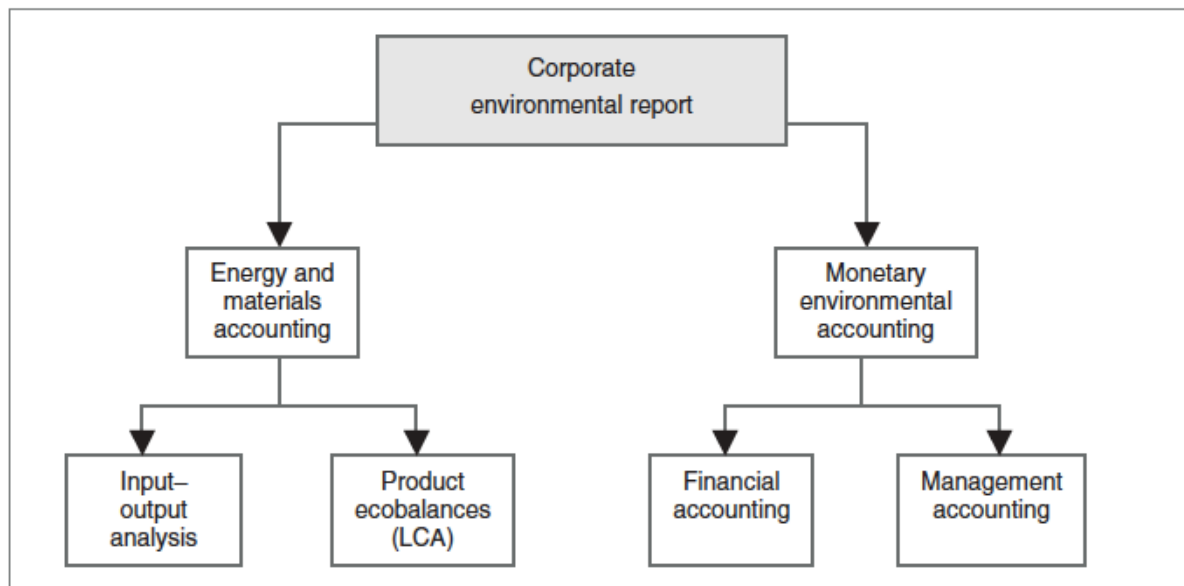


Figure 4: The Environmental Report (Perrini and Tencati, 2006, p. 303)

Companies are currently attempting to integrate environmental, social and financial accounting information in very different ways, but three main sustainability-reporting strategies can be distinguished (Herzig and Schaltegger, 2011, pp. 155-156):

1) Distinctive stakeholder- and theme-specific reports: one reporting strategy is the publication of a series of different company reports such as environmental reports, environmental statements, social reports or corporate citizenship reports (each of these deals with specific aspects of corporate sustainability and addresses different stakeholder groups).

2) Stand-alone sustainability reports: in this reporting strategy, companies publish stand-alone sustainability reports that provide information about the company's ecological, social and economic sustainability activities and performance, often following the format of earlier environmental reports and published in addition to financial reports (e.g. Shell Triple-P Report in 1999).

3) Extended financial reports and integrated business reports: selected environmental (and social) aspects of corporate performance have received more attention in financial reports in recent years. Moreover, some companies integrate their environmental and social reporting into their business reports and publish only one integrated report.

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While reports addressing single aspects of corporate sustainability can be of certain use, stand-alone sustainability reports and fully integrated corporate reports have received particular attention, especially among large companies. In certain parts of the corporate sector the number of stand-alone sustainability reports nowadays exceeds those of environmental reports. Likewise with environmental statements, there is a trend towards more integrated reporting (BMU 2007). Important drivers for the integration of environmental and social information in financial and annual reports are the increasing interest of investors and analysts as well as regulatory requirements (Hesse 2010; UNEP 2010).

1.5 Corporate sustainability performance

Sustainability performance is the effect of corporate activity on the society from a social, environmental, and economic perspective.

The balance between economic progress, social responsibility and environmental protection, also referred to as the "Triple Bottom Line", can lead to a competitive advantage.

The evaluation of social, economic, and environmental impacts of organizational actions is necessary to make effective operational and capital investment decisions that positively impact organizational objectives and satisfy the objectives of multiple stakeholders.

The key to success is integrating sustainability into business decisions, identifying, measuring, and reporting (both internally and externally) the present and future impacts of products, services, processes, and activities.

9 principles of sustainability (Epstein and Buhovac, 2014, p. 21):

1. Ethics: the company establishes, promotes, monitors, and maintains ethical standards and practices in dealings with all of the company stakeholders;
2. Governance: the company manages all of its resources conscientiously and effectively, recognizing the fiduciary duty of corporate boards and managers to focus on the interests of all company stakeholders;
3. Transparency: the company provides timely disclosure of information about its products, services, and activities, thus permitting stakeholders to make informed decisions;
4. Business relationships: the company engages in fair-trading practices with suppliers, distributors, and partners;
5. Financial returns: the company compensates providers of capital with a competitive return on investment and the protection of company assets;

6. Community involvement/economic development: the company fosters a mutually beneficial relationship between the corporation and community in which it is sensitive to the culture, context, and needs of the community;

7. Value of products and services: the company respects the needs, desires, and rights of its customers and strives to provide the highest levels of product and service values;

8. Employment practices: the company engages in human-resource management practices that promote personal and professional employee development, diversity, and empowerment;

9. Protection of the environment: the company strives to protect and restore the environment and promote sustainable development with products, processes, services, and other activities.

1.5.1 Sustainability indexes

Corporate sustainability is generally defined as a business approach that creates long-term shareholder value by embracing opportunities and managing risk from three dimensions: economic, environmental and social dimensions (Dow Jones Sustainability Indexes). A sustainable company is one whose characteristics and actions are designed to lead to a "sustainable future state" (Funk, 2003).

*The Dow Jones Sustainability Group Indexes (DJSGI)*[8], are the first global indexes to track the financial performance of leading sustainability-driven companies worldwide.

The companies included are continuously monitored throughout the year, and if necessary, excluded from the index.

A defined set of criteria and weightings is used to assess the opportunities and risks in economic, environmental and social developments for the eligible companies, those companies included in the DJSGI benefit from the growing demand for sustainability-related investments, in addition, they gain the reputation of being an industry leader in strategic areas covering economic, environmental and social dimensions.

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[8] The DJSGI, launched in 1999, is a family of 20 different indexes, and five of these indexes are geographical in character: the world as a whole, Europe, North America, the Asia-Pacific region, and the US.
The ten per cent of the leading sustainability companies in each of the ten economic sectors (consumer non-cyclical, consumer cyclical, energy, healthcare, financial, telecommunication, basic materials, technology, industrial and utilities) are selected from Dow Jones Global Index (DJGI) which includes 2000 global companies.

| Dimension | Criteria |
|---|---|
| Economic (33% weight) | Codes of Conduct/Compliance/Corruption & Bribery<br>Corporate governance<br>Customer relationship management<br>Financial robustness<br>Investor relations<br>Risk & crisis management<br>Scorecards/measurement systems<br>Strategic planning<br>Industry specific criteria |
| Environment (33% weight) | Environmental policy/management<br>Environmental performance<br>Environmental reporting<br>Industry specific criteria |
| Social (33% weight) | Corporate citizenship/philanthropy<br>Stakeholders engagement<br>Labour practice indicators<br>Human capital development<br>Knowledge management/organisational learning<br>Social reporting<br>Talent attraction & retention<br>Standards for Suppliers<br>Industry specific criteria |

Table 2: DJSGI corporate sustainability assessment criteria (Lo Shih-Fang and Sheu Her-Jiun, 2007, p. 348)

Because gaining advantage through stakeholders has been recognized as a driver of strategic success, companies must identify the key stakeholder groups that are the primary drivers of their strategy including shareholders, customers, suppliers, employees and communities. Companies must customize their approach to address the most relevant company relationships.

Furthermore, by credibly promising to act ethically, a firm can gain a lasting competitive advantage, e.g. differentiating its products and increase their demand, recruiting and retaining the best workers who will commit innovation and foster positive, long-term relationships with vendors, customers (loyalty and repeated purchases) investors and stockholders (fresh and stable capital) (Potts and Matuszewski, 2004).

On the other hand, a firm that acquires a reputation for unethical behaviour will lose current as well as potential future customers and the profits they would have generated (Brickley, 2002, p. 1822).

Chami (2002) argue that the corporation should care about ethics, because the firm's ethical reputation is the valuable among the intangible assets, which will affect the market price of its

shares.

The investors will aggregate their judgements and transmit them to the firm in the form of financial rewards or punishments, these intangibles related to environmental or social responsibility are highly interacted with customer satisfaction and other stakeholder preferences, and improvement in these areas can induce gains financially.

Therefore, investors who are not only interested in the maximisation of shareholders' wealth but also the maximisation of stakeholders' welfare will seek out those companies for an above average growth rather than a temporary outsized performance.


1.5.2 Key performance indicators

Corporate sustainability reporting tools designed for environmental, social and corporate governance performance play a key role in the development of a company, indeed many companies have developed performance evaluation systems to evaluate the sustainability performance of business units and company facilities and teams.

In addition, incentives should be established to encourage excellence, and, if sustainability performance is truly important, evaluations and rewards should highlight that component and it is also difficult to achieve maximum sustainability performance unless management sends a clear message that sustainability performance is critical to the company.

Every sustainability initiative undertaken should be associated with a specific sustainability performance indicator: as managers implement new programs or invest in new technologies to improve their sustainability performance, they must clearly define goals and targets and compare these to actual performance (Epstein and Roy, 2001, p. 596).

Key Performance Indicators for corporate sustainability are specific indicators developed in relationship with the corporate information requirements and their aim is to provide a tool to continually monitor and assess an organization's performance trends.

In this way they represent a dashboard of sustainability (International Institute for Sustainable Development, 2001) supporting management decision-making processes. Sets of indicators proposed by many organizations, such as GRI (2002, 2006) and the World Business Council for Sustainable Development (WBCSD, 2000, 2003) can be used in drawing up an organization's specific measurements, but they cannot limit the corporate choice. Indicators can focus on the financial, operating, marketing, environmental and social (e.g. with regard to the eco-efficiency and the socio-efficiency of the organization: Schaltegger and Burritt, 2005) aspects of business management.

KPIs are used in the overall reporting system and in order to define them the company should carry on stakeholder engagement activities (Stakeholder Research Associates Canada,

AccountAbility, 2005).

According to Chvatalovà, Kocmanovà and Docekalovà (2011, pp. 5-8), three dimensions of corporate performance indicators to measure overall sustainability actions exist:

1) Corporate Economic performance indicators can be divided in:

- Liquidity (current, quick, cash ratio)
- Profitability (ROE, ROS, ROI)
- Financial structure (debt ratio, gearing)
- Activity (EVA, BSC)

2) Corporate Environmental performance of an organization could be measured against its environmental policy (expressed by the top management), objectives (consistent with the organization's policy) and targets (performance requirements).

Environmental KPI's will help businesses to implement strategies in order to achieve goals and objectives by linking various levels (business units, departments…) with target and benchmarks of selected economic activities

| indicator | unit |
|---|---|
| **Efficiency of material consumption** | |
| annual mass-flow of different materials used | tonnes |
| ratio of the used recycled input materials expressed in units | % of the total input materials |
| **Energy efficiency** | |
| total direct energy use | MWh or GJ |
| total renewable energy use | % of total annual consumption of energy (electricity and heat) produced by the organisation from renewable energy sources |
| **Water management** | |
| total annual water consumption | m³/ year |
| **Waste management** | |
| total annual generation of waste | tonnes |
| total annual generation of hazardous waste | kilograms or tonnes |
| **Biodiversity** | |
| use of land | m² of built-up area use of land |
| **Emissions into the air** | |
| total annual emission of greenhouse gases | tonnes of equivalent CO2 |
| total annual air emission | kilograms or tonnes |
| **Products and services** | |
| Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation expressed | number of initiatives |
| sold products sold and their packaging materials that are reclaimed by category | % |

Table 3: Environmental performance KPI's (Chvatalovà, Kocmanovà and Docekalovà, 2011, p. 7)

3) Corporate Social performance defines business performance in relation to its impact on other stakeholders (communities, employees, developing countries, suppliers) and includes issues of business ethics such as:

1. Employment practices: provision of a safe working environment, financial and job security, freedom of discrimination, professional development.
2. Community relations and developments: jobs created, taxes paid, philanthropy and volunteerism.
3. Ethical sourcing: fair trading practices with suppliers, traders and partners, safe working conditions.
4. Product social impact contribution to: social welfare, equity and human needs.

A small or medium company could not have sufficient time and resources to define a long and complicated sustainability reporting system, but this kind of firm certainly needs a map for an on-going assessment of its performance and of the related quality (i.e. degree of sustainability) of the relationships with its stakeholders. This map could be provided by a set of KPIs, and this consistent and clear dashboard of sustainability could also be used as a fundamental tool to communicate the information required by the different stakeholder groups.

1.6 Environmental Management System (EMS)

Translating a sustainability strategy into action and driving it through a complex organization is a substantial challenge, various management systems (such as product costing, capital budgeting, information, and performance evaluation) must be designed and aligned.

Based on the new ICT, information and communication technologies, solutions such as the enterprise resource planning (ERP) systems, enable an organization to collect, process and share physical/technical and financial data.

Through the integration of these different databases it is possible to extract and provide to operators and decision-makers the necessary information to assess the overall performance of the company and its sustainability (Epstein and Roy, 2001, pp. 593-594).

The goal is to build a satellite accounting system (United Nations et al., 2003) focused on social and environmental performance, capable of collecting and organizing all the relevant data (including financial ones) and connected with the other specific accounting/ information systems.

Several companies have been using the Environmental Management Systems (EMS) to

provide guidance as they choose, design, and implement their environmental strategy.

An EMS involves the formal system and database which integrates procedures and processes for the training of personnel, monitoring, summarizing, and reporting of specialized environmental performance information to internal and external stakeholders of the firm.

The documentation of this environmental information is primarily internally focused on design, pollution control and waste minimization, training, reporting to top management, and the setting of goals.

However, the EMS structure also encourages facilities to prevent pollution by substituting unregulated for regulated inputs and by eliminating some regulated processes altogether (Darnall and Edwards, 2006, pp. 302-303).

Therefore, according to a study of Melnyk, Sroufe and Calantone (2003, pp. 331-333), an EMS enables management to:

- Establish an environmental policy appropriate to the organization, including a commitment to the prevention of pollution.
- Facilitate planning, controlling, and monitoring to ensure policy is complied with and remains appropriate for the organization;
- Identify the legislative requirements and environmental aspects of the organization's products, services and activities to determine impact, significance, priorities, and objectives;
- Establish a program to implement these policies and objectives with a disciplined process of evaluating and achieving target performance levels while seeking improvements where appropriate;
- Develop management and employee commitment to the protection of the environment, with clear assignation of accountability and responsibility;
- Encourage environmental planning throughout the full range of the organization's activities, from raw materials acquisition to product distribution;
- Provide resources, including training, to achieve targeted performance levels on an on-going basis;
- Establish a management process to review and audit the EMS and to identify and measure opportunities for improvement of the system and resulting environmental performance;
- Establish and maintain appropriate communications with relevant internal and external parties;
- Encourage contractors and suppliers to establish an EMS.

The challenges and developments considered above suggest that there is great pressure on corporate actors who are involved in sustainability reporting, going beyond important knowledge about external rating and assessment schemes, evaluation criteria and sustainability trends in the media.

A well-managed, interdisciplinary team-based process seems to be required, one that involves different departments, external stakeholders and possibly communication agencies, as well as diverse competencies in identifying the sustainability issues that are most relevant to both the company and society.

Likewise, communicating these issues in a comprehensible way and integrating sustainability reporting with other sustainability communication media and the company's more general corporate communications concept appears to be vital if sustainability communication is to move to a next higher level (Herzig and Schaltegger, 2011, p. 166).

# CHAPTER 2
## Sustainability champions

2.1 Sustainability leadership

"Business leaders around the world, particularly those in the developed countries, are promoting sustainability initiatives and practices in their companies as they realise the importance of the platform for the survival of their companies in the face of tough global competition" (Eweje, 2011, p. 125).

The persistent call for corporations to be socially and environmentally responsible originates from sustained pressure exerted by a range of stakeholders, including customers, communities, employees, governments, and shareholders (Epstein, 2008; Hess and Warren, 2008; Sarkar, 2008).

According to Metcalf and Benn (2012, p. 370), "in order to achieve sustainability, leaders of organisations must recognise that they operate in a wider complex adaptive system... this wider system is the complex interconnected and dynamic environmental, economic and social systems within which businesses are embedded as agents".

Leaders are often described as those who inspire a shared vision, build consensus, provide direction and foster changes in beliefs and actions among followers needed to achieve the goals of the organization or communities (Ferdig, 2007, p. 30).

Sustainable leaders are described by the Sustainability Leadership Institute (2011) as "individuals who are compelled to make a difference by deepening their awareness of themselves in relation to the world around them... In doing so, they adopt new ways of seeing, thinking and interacting that result in innovative, sustainable solutions".

Indeed, unlike "normal" leaders, they create sustainable opportunities for people, promote collaboration and develop and implement actions in order to support healthy economics, environmental and social system, recognize that the dynamic and changing environment can bring new innovations in the organization and that the conflicts, that come from differences, can generate new way of thinking.

In a context characterized by complexity and uncertainty, there is a greater need for specific forms of leadership are required which are best suited to leaders with particular personality characteristics and skills (Uhl-Bien et al., 2007).

Visser and Courtice (2011, p. 4-11), drawing theory and practice of sustainability leaders, designed and tested a Sustainability Leadership Model, which is made up by three components:

1. Internal and external context for leadership;
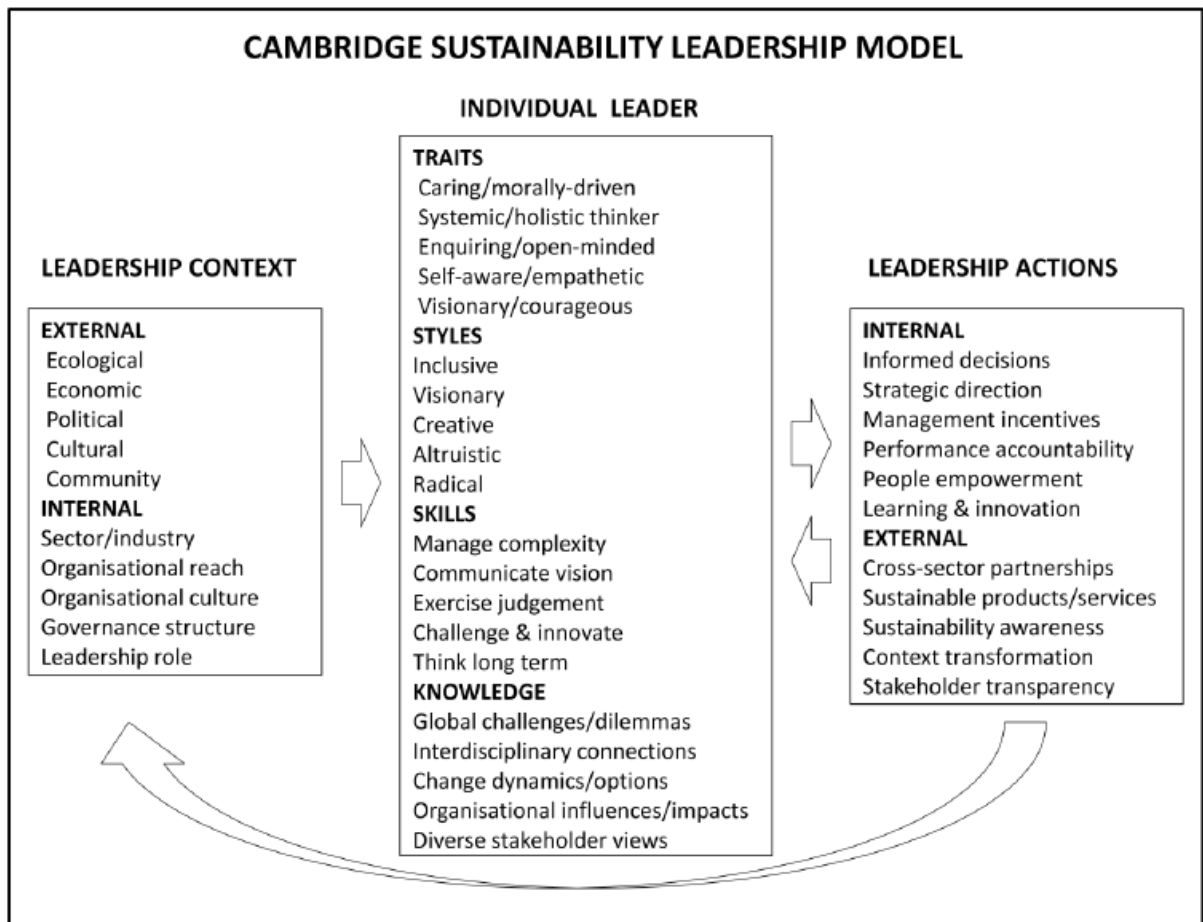2. Traits, styles, skills and knowledge of individual leader;
3. Leadership action.



Figure 1: The Cambridge Sustainability Leadership Model (Visser and Courtice, 2011, p. 4).

**1.** Context refers to the conditions or environment in which leaders operate, which have a direct or indirect bearing on their institutions and on their decision-making.

This context is broadly divided into the context that is *external* to their institution and over which they may have a lesser degree of influence (e.g. ecological, economic, political, cultural and community contexts), and *internal* to their institution or sector, over which they are generally assumed to have higher levels of influence (e.g. the organizational culture, governance structure or role of leadership).

**2.** Individual characteristics are a combination that make a sustainability leader unique and embody:

- Traits, which are seen as enduring attributes, such as to be honest, flexible, morally driven (care of well being of humanity and other life forms), forward looking/open minded (Kouzes and Posner, 2007), competent (Morrison, 2000), visionary (bringing

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inspiration, creativity, passion and optimism) and emotionally intelligent (understanding other emotions).

- Styles, are the approaches leaders use to give a direction, motivate people and implement plans, different types of style are: inclusive style (collaborative and participative, democratic approach based on dialogue), visionary style (focusing on challenging and transforming people), creative style (playing the role of designer, architect, innovator), altruistic style (focusing on the collective or the good of the whole) and radical style (highly visible leadership, take risks and act revolutionary).

- Skills needed to develop a sustainable leadership are: managing complexity (analysing and translating complex issues, solving problems), communicating vision (sharing vision and facilitating learning and dialogue process), exercising judgement (making good and timely-fashion decisions), challenging and innovating (imagining possible solutions or alternatives and bringing creativity), thinking long term (using strategic long planning).

- Knowledge is, especially for middle managers and head functions, important to translate sustainability in successful business strategies (Ipsos Mori Survey, 2010), main areas are: global challenges (social and ecological system pressures), interdisciplinary connectedness (relevance of interconnections of different social and scientific sciences and disciplines), changing dynamics (how complex system works), organisational influences and impacts (developing opportunities for value creation and new markets), different stakeholders view (different point of views and beliefs within communities).

3. According to the Accenture & UNGC survey (2010), CEOs believe that leadership actions execution is now the real challenge to bringing about the new era of sustainability and are divided in:

- Internal actions including making informed decisions, providing strategic direction, crafting management incentives, ensuring performance accountability, empowering people, embedding learning and innovation;

- External actions to respond to externally stakeholders-related opportunities such as cross sector partnership, creating sustainable products and services, promoting sustainability awareness, ensuring transparency.

Discussion on corporate sustainability is therefore incomplete without understanding the role of senior management and company's relationship with other stakeholders in facing key sustainability challenges and opportunities.

A primary goal of leadership for sustainability is setting principles and practices that will help institutionalize the concept of sustainability in the organization's culture.

Integrating sustainability initiatives and practice into organizational structure requires a vision, commitment, and leadership (Yencken, 2002; Azapagic, 2003; Elkington, 2006; Epstein, 2008) and "a systems approach that enables design, management and communication of corporate policies" (Azapagic, 2003, p. 303).

Sustainability performance begins with the commitment of senior company officers and the development of a mission and strategy that will be implemented, but having the CEO and other senior corporate officers set "the tone at the top" is a critical but not sufficient condition on its own.

A corporate sustainability mission statement should be adopted to convey the corporate commitment throughout the organization, therefore corporate sustainability strategies are developed to move the company toward a full integration of sustainability which has to be seen as a core corporate value, central to company operations, rather than as a reaction to governmental regulations.

Six core principles can help boards in formulating strategies and to improve sustainability (Epstein and Buhovac, 2014, p. 44):

1. Leadership, provide a framework to identify and build skills to address sustainability issues.
2. Engagement, support corporate values through consultation with stakeholders;
3. Alignment, establish operational practices and incentives that align with sustainability policies and performance goals;
4. Diversity, include a diversity of races, skills, experiences, genders, and ages in executive and director positions;
5. Evaluation, evaluate the performance of the board and the company in progressing toward a higher level of accountability and sustainability performance;
6. Responsibility, ensure that the board responds to and maintains trust with company stakeholders.

Therefore it is the responsibility of the CEO and board of directors to initiate, communicate, and implement sustainability values and strategy throughout the organization and identify social and environmental issues where the company can have the greatest impact by integrating awareness of social and environmental issues into corporate decisions at all levels,

developing measures to identify, measure, report, and manage the social and environmental impacts of corporate activities, modifying the corporate structure as needed to integrate sustainability throughout the organization and by creating incentives promoting socially and environmentally responsible behaviour and integrating them into the performance evaluation system and corporate culture (Epstein and Buhovac, 2014, p. 47).

2.1.1 Critical role of leaders in developing and integrating sustainability

Researchers has identified two main approaches to integrate sustainability within organizations (Mirvis and Manga, 2010, pp. 83-85):

1) In the *Top-down* approach, leaders are committed to the strategy, create a clear definition of organizational sustainability values, which is consistently communicated and reinforced throughout the organization (from management to the shop-floor).



❑ Fixed plan
❑ Top-down, change from one source
❑ Managers as implementers
❑ Directive
❑ Predictable outcomes assumed

Figure 2: Traditional Top-Down approach (Mirvis and Manga, 2010, p. 84).

2) In the *Bottom-up* approach, sustainability initiatives are introduced and implemented by middle managers, which often operate in different functional areas of the organization and develop their own values and beliefs towards sustainability based on their education and culture.
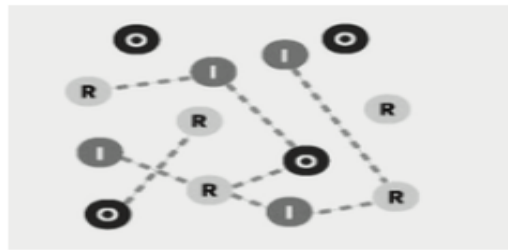
- ❑ Adaptive and responsive
- ❑ Multidirectional, multisource change
- ❑ Managers as strategists and catalysts
- ❑ Emergent
- ❑ Lack of predictability recognized as part of process

Figure 3: Catalytic approach (Mirvis and Manga, 2010, p. 84).

Then, implementation must continue through: institutional support for the company strategy, development of an organizational structure to support sustainability costing, capital investment, and risk management systems, performance evaluation and incentive plans, measurement and feedback systems, reporting and monitoring systems.

This can cause a closer examination of production processes, resulting in improved product designs, product and service quality, and production efficiency and yields, along with environmental and international competition improvements, which in turn, often result in increased employee and customer satisfaction and retention, increased social and environmental performance and profitability (Espstein and Buhovac, 2014, p. 74).

Leaders that have engaged in sustainability have done it mainly through upper management level initiatives, changing not only raw material, processes and products, but also requiring organizations to undergo significant cultural changes (Borland, 2009): changing corporate culture and attitudes, applying knowhow, breaking non-technical barriers and going behind technology changes and management systems.

Moreover, Epstein (2008) emphasises the critical role of leadership in developing and implementing sustainability initiatives, arguing that the commitment of the board and management to the enforcement of sustainability principles and development of organisational systems can encourage all employees to comply with company strategy.

However, Stoughton and Ludema (2012, pp. 511-513) interviewed key employees in three large corporations and what emerged from their research was that, within each company, sustainability didn't start as a senior-leadership mandate, instead middle managers, outside stakeholders and employees acted as an impetus for introducing sustainability, they "activated" it and senior leadership deploy sustainability initiatives throughout the organization infusing their culture and expressing commitment in communication.

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These middle managers often operate within different functional areas, or subcultures, of the organization and develop their own values and beliefs towards sustainability based on their education and enculturation into their subculture (Linnenluecke and Griffiths, 2010).

2.2 Leaders' influence on CSR implementation

An important distinction is between two approaches that sustainability leaders can adopt to implement CSR:

- the "instrumental" CSR, which focuses on how such actions enhance financial returns in the short or long term by converting social responsibilities into business opportunities (Porter & Kramer, 2006);
- the "altruistic" CSR defined as "actions on the part of the firm that appear to allow in the promotion of some social good, beyond the immediate interests of the firm and its shareholders and beyond that which is required by law" (Waldman et al., 2006, p. 1703).

Despite the fact that it can help explain why firms engage in activities that benefit the interests of employees, suppliers, customers, and society at large even when those activities reduce the profitability of the firm, CEOs usually adopt a mix of both definitions, for example engaging in socially responsible behaviour because of its moral values while, at the same time, expecting future financial benefits.

CSR has also been categorised into two competing approaches depending on institutional influences: "implicit" and "explicit" CSR (Matten and Moon, 2008): implicit CSR is represented by "values, norms and rules, that result in requirements for corporations to address stakeholder issues" (Matten and Moon, 2008, p. 409), whereas explicit CSR is voluntary and implemented as a result of deliberate and strategic decisions made by the corporation.

The development and integration of a genuine CSR vision, often, is therefore triggered by an evolution in the way management actually perceives its business and societal environment, which can be reactive, resulting from external pressures, or proactive, usually due to socially-oriented personal values (Hemingway, 2005).

CEOs imprint firms with their own values and characteristics affecting strategic decision processes within the firm that determine the degree to which managers give priority to competing stakeholder claims, impacting the social performance, such as the managerial commitment to CSR activity, which influences the organizational structures that firms develop to identify, analyse, and respond to the social and political environment (Christensen et al., 2014, p. 168).

A strong leader might create a vision for the future aligned with the stakeholders' expectations; this leader also must communicate the vision in an inspiring way so that employees act accordingly.

Moreover, this socially responsible vision must be formulated and declared by top management and then formalized and communicated through official documents, such as annual reports, corporate brochures, online postings, and meetings in accordance with identified corporate values in order to fit with the current personal values of employees (Werre, 2003).

There are four types of leadership style linked to the CSR implementation:

1. **Ethical leadership**, who is consistent to follow moral standards, to pursue an ethical conduct (e.g. social justice) and shares honesty, openness and integrity but also uses punishment to hold people accountable for ethical behaviour (Brown and Trevino, 2006);

2. **Transformational leadership**, who splits into (Waldmann et al., 2006, pp. 1707-1709):

   - Charismatic leadership, that motivates the followers by providing a mission or inspiring vision in terms of the personal values that it represents, promoting CSR goals achievement and policies implementation at business unit level;

   - Intellectually stimulating leadership, that encourages innovation process by creating an environment where ideas easily take place, understanding complex environmental conditions to enhance followers' new way of thinking regarding how the demands of achieving performance goals can be balanced with the desire to pursue CSR.

3. **Autocratic leadership**, who is characterized by coercive power and lack of democracy process in decision-making (Van Vugt et al., 2004), and it is the least popular style despite the control power that allow to better solve and prevent social dilemma.

4. **Servant leadership**, that combines the motivation to lead with a need to serve (Greenleaf, 2002) in which individuals may feel commitment, empowerment, job satisfaction, and increased engagement at work; teams may experience increased effectiveness and organizations may display a stronger focus on sustainability and CSR (Van Dierendonck, 2011); although servant leadership shares some elements with other forms of leadership, it differs in its focus, assuming that leaders have a

commitment to the growth of individual employees and to the survival of the organization, and a responsibility to the community (Reinke, 2004) focusing on the improvement of followers, society and organizations.

However in the actual, dynamic and competitive environment, in which individuals interact continuously, an increasing set of skills is required from leaders.

Given that a single leader has not the sufficient amount of information to take decisions, some researchers argue that "shared leadership" (also referred as distributed or collective leadership) encourages leaders behaviour throughout the organisation and will be more effective in this type of complex environment (Hill and Stephens, 2005; Pearce and Conger, 2003), because it reflects "an interactive influence process among individuals in groups for which the objective is to lead one another to the achievement of group or organizational goals or both" (Pearce & Conger, 2003, p. 1).

This can be the most appropriate for organisations struggling with a demand for increasing social and environmental responsibility in their industry environment, which two types of leaders can assist: emergent leaders, who are not formally appointed, exerting influence through the support of other group members and are more likely to be extroverted (Rubin et al., 2002), and complex leaders that use language to create shared meaning from the conflict they face, by creating conditions for people to innovate as individuals and learn as a social group (Uhl-Bien, 2007).

Managers must understand and remain actively aware of both the context and expectations, as well as recognize that any changes they implement will shape the environment in turn (Mitleton-Kelly, 2003).

Although top managers are obviously in the best position to implement these types of strategies and projects, researchers have previously failed to examine the effect of leader values, ethics and style in regards to CSR (Waldman and Siegel 2008).

Waldman's argument implies that the most appropriate leadership style for organisations implementing CSR strategies is that which is strategically driven and which does not require maintaining integrity to personal values.

Siegel, on the other hand, argues that leader integrity to personal morality can yield positive outcomes for businesses and may actually be the driver of CSR strategies in organisations.

Following this theme, De Hoogh and Den Hartog (2008, pp. 306-307) found that leaders, who demonstrated a sense of right versus wrong, duty, concern for others and also tend to judge their own behaviour, were seen as ethical leaders, this type of leaders was most prominent in non-profit organisations.

Moreover it has been observed (Maon et al., 2009) that middle management and employees play a key role in implementation of CSR policies, "putting into effect the direction established by top management by making sure that resources are allocated and controlled appropriately, monitoring performance and behaviour of staff, and where necessary, explaining the strategy to those reporting to them" (Johnson & Scholes, 2002, p. 552), as well as communicate and enforce the top-down vision and CSR implementation.

Indeed, after translating values, visions, or policy statements into commitments, it is necessary to designate a senior official or a committee responsible for overall CSR implementation, to improve inter-functional coordination, to build CSR responsibilities into employees' job descriptions and performance evaluations, recruit people knowledgeable in CSR with appropriate attitudes and skills, and develop regular forums in which to share issues and knowledge across the organization

Engaging employees in implementation requires focusing on enhancing knowledge and ensuring that they understand the context of the organization's CSR approach, including the motivation, the reasons for adopting a specific approach, relevance to the organization, how it fits with existing objectives, any changes to current approaches, and identifying their specific role.

By involving employees in discussions of CSR implementation, the organization ensures that these stakeholders develop a sense of ownership of and pride in their organization's CSR activities (Government of Canada, 2006).

Employees' CSR training might also create awareness and help employees understand how these issues affect them and their immediate environment, in order to reach this goal organizations can provide incentives, such as rewarding employees for relevant suggestions and incorporating CSR performance elements into job descriptions to reward employees for related achievements.

Only when incentives are compatible with a more comprehensive view of stakeholder expectations and managers' values, the organizations can create more sustainable organizational wealth (Sachs & Ruhli, 2005).

Therefore, for the CSR strategy and implementation, a sound communication must be addressed between top management and employees.

Lastly, in order to align with stakeholders' interests and create long-term value, organizations must develop, apply, and maintain necessary managerial competences and capabilities to deal with stakeholders' community expectations during the implementation step, by continuously dialoguing with them (Ayuso, Rodriguez, & Ricart, 2006).

| | *PLAN* | *DO* | *CHECK / IMPROVE* | *MAINSTREAM* |
|---|---|---|---|---|
| *CORPORATE LEVEL* | o **Connecting** CSR vision and initiatives with organization's core values and competencies <br><br> o **Formalizing** CSR vision through official documents | | o **Considering** mistakes as an opportunity to learn and improve CSR programs and policies | |
| | o **Getting** key people's commitment (directors, owners, senior managers) <br> o **Engaging** participation of key stakeholders in the CSR process | | | |
| *ORGANIZATIONAL LEVEL* | o **Building** upon existing organizational structures and process | o **Ensuring** the organization has internal skills to make the transformation <br><br> o **Training** of employees in CSR-related issues | o **Considering** mistakes as an opportunity to learn and improve CSR programs and policies | o **Emphasizing** relationships between new organizational behavior and success |
| | o **Fostering** the presence of moral / CSR champions <br> o **Thinking** in terms of long-term engagement rather than quick fix solutions | | | |
| *MANAGERIAL LEVEL* | | o **Creating** enthusiasm and credibility around CSR (by providing regular updates on progress) | | o **Rewarding** people that create CSR successes |
| | o **Leadership role** | | | |

Table 1: Critical success factors in CSR process (Maon et al., 2009, p. 80).

## 2.3 Who are sustainability champions?

The term "sustainability champions" was coined by Bob Willard but the argument has already been studied in the past literature.

With this term we may indicate an individual who seeks to lead change in big but also small organizations to transform them into a smarter, more successful and more sustainable enterprise and changing the world toward a more sustainable future.

This individual may exist at any level and in any type of organization, from the CEO to the administrative assistant, throughout different corporate hierarchies, often they hold junior or middle management position and, initially, they lack the authority to effect the necessary changes.

Sustainability champions are change-makers with a visionary orientation and are most effective when they: establish personal credibility about sustainability, pursue dialogue, seek collaborations and networks, meet and influence people, piggyback sustainability initiatives on existing processes and practice "planful opportunism" (Willard, 2009, p. 4).

They usually focus on leading their companies through different stages (Willard, 2009, p. 10):

1. Improve working conditions and capture eco-efficiency within company's internal operation and processes;
2. Work with suppliers to improve working to improve working conditions;
3. Work with stakeholders to create innovative, sustainable products and services that position company in new market;
4. Improve company's governance system aligning with sustainability principles;
5. Rebrand the company as sustainable enterprise with sustainability deeply integrated in strategies and culture.

Fineman and Clark (1996, p. 726) define an environmental champion as "individual or manager with the most commitment to sustainability that can attractively express a personal vision about environmental protection that is in tune with both industry's needs and wider public concern".

This literature focuses on the attributes of effective champions, such as their ability to identify, package and sell environmental issues and emphasizes the presence of personal characteristics such as the ability to build and clearly communicate visions for new projects and policies (Andersson and Bateman, 2000; Crane, 2000).

Researchers describe "champions" as emergent leaders who are centrally involved with effecting transformations within their own organizations or broader institutions such as their industry sector (Howell et al., 2005).

Champions are also known to have strongly developed personality characteristics such as confidence, enthusiasm and persistence, high levels of personal power, and excel at exercising influence on others (Howell et al., 2005).

Another synonym, typically used in the corporate sustainability literature, for leaders who trigger and drive more sustainable practices, policies and cultures within organizations (Benn et al., 2006; Dunphy et al., 2007) is "change agents", which stand out as leaders who choose the right time to start change, act as catalysts for change by initiating new policies (Taylor, 2011), and tend to dominate the beginning of change processes.

There are also many similarities between descriptions of environmental champions and eco-social entrepreneurs (Peredo and McLean, 2006).

They often play an important role in group-based processes of leadership at the level of projects, organizations and broader institutions (Brouwer et al., 2009; Olsson et al., 2006).

Researchers have for this purpose identified two main types of "champions":

1. Project champions, who promote innovations on a daily basis within organizations or broader institutions, and primarily rely on personal power to exert influence (Howell

et al., 2005);

2. Executive champions, who have higher levels of position power (i.e., potential to influence others as a result of their organizational position), allocate resources to innovations and share some of the risks associated with innovations assisting project champions mainly by creating an environment that allow to address complex challenges through collaboration (Wenger and Snyder, 2000).

In addition, while a champion's work environment affects their ability to drive change, they can also manipulate this context to some extent, for example, by engaging in 'venue shopping' (Meijerink and Huitema, 2010) and by looking for 'windows of opportunity' (Kingdon, 1995) to advance initiatives (Brouwer et al., 2009) and also create or manipulate venues for their advantage (Meijerink and Huitema, 2010), such as establishing communities of practice to advance more sustainable approaches (Verhagen et al., 2008).

For example, research in the water industry indicates that different types of environmental champions emerge depending on the context, specifically the internal factors that enabled leadership by water champions included assistance from senior leaders (e.g., executive champions), help from peers located across intra-agency boundaries, and supportive organizational cultures, whereas external factors included rapid and substantial change (e.g., population growth), and the existence of crises with associated community and political concern (Taylor, 2010).


2.4 Sustainable managers and sustainable entrepreneurs

With their innovations, sustainable entrepreneurs and managers are shaping markets and society substantially, generating new and superior products, services, techniques and organizational methods that substantially reduce environmental impacts and increase the quality of life (Schaltegger and Wagner, 2011, p. 223).

Main distinctive characteristics of environmental/sustainable managers are the openness to change, the technical, interpersonal and communication skills, especially with external stakeholders, and the aptitude to create teams and promote collaboration among the members (Egri and Herrman, 2000).

Main reasons for managers to implement sustainability are: legal compliance with social and environmental regulation, the increasing competitiveness in the global marketplace, the business risk management and corporate reputation.

Managers emphasised ethical aspects of pro-environmental behaviour, the importance of environmental champions and the values of individuals and the organisation, as well as top management taking responsibility (Williams and Schaefer, 2013, p. 178).

Four distinctive types of sustainability managers emerged from a data collection and analysis by Visser and Crane (2010, pp. 7-11) and each type contains characteristics that have been pooled and standardised:

1) Experts, who find motivation through performing specific tasks, completing projects, engaging with projects or systems, delivering satisfaction from developing and offering specialist input, focusing on technical excellence and deriving pride from their innovation activities such as quality improvements in processes or products.

2) Facilitators, who typically derive meaning in sustainability from empowering people, transferring knowledge and skills, focusing on people development, creating opportunities for staff, changing the attitudes or perceptions of individuals and paying attention to team building.

3) Catalysts (also known as "champions") are often associated with initial change, visionary orientation, giving strategic direction, influencing leadership, tracking organisational performance and having a big picture perspective, giving direction in terms of where the company is going, creative values as source of meaning;

4) Activists take motivation from being aware of broader social and environmental issues, feeling part of the community, fighting for a right cause (for example poverty), leaving a legacy of improved conditions in society by acting in an ethical way.

| | Types | | | |
|---|---|---|---|---|
| | Expert | Facilitator | Catalyst | Activist |
| Primary source of meaning | Specialist input | People empowerment | Strategic input | Societal contribution |
| Level of concern | Individual | Group or team | Organisation | Society |
| Source of work satisfaction | Personal development, quality input | Staff development, effective facilitation | Organisational development, strategic change | Community development, social change |
| Skills | Technical, process | Managerial, facilitation | Visionary, political | Collaborative, Questioning |
| Knowledge | Specialist | Generalist | Key players, future trends | Community or macro needs |
| Legacy | Successful work projects | Staff or team's achievements | Organisation or industry transformation | Sustainable environment and equitable society |

Table 2: Summary features of four types of susainability managers (Visser and Crane, 2010, p. 8)

Whereas environmental or CSR managers can leave a company without substantial character, sustainable entrepreneurs constitute and shape the company because of the personality of the company leader on company goals (Schaltegger and Wagner, 2011).

Sustainable entrepreneurship is characterized by some fundamental aspects of entrepreneurial activities which are less oriented towards management systems or procedures, and focus more

on the personal initiative and skills of the entrepreneur or of the team to realize large-scale market success and society change with environmental innovations (Schaltegger and Wagner, 2011, p. 226).

Entrepreneurial thinking starts with environmental and social values (commitment, leadership, ambition…) of the person, which influences the company mostly with their personal preferences and goals, considering professional life as a creative act (Schaltegger, 2002).

We focus on the three main types: eco-entrepreneur, social entrepreneur and sustainability entrerpreneur (Tilley and Young, 2006).

Isaak (2002, p. 82) refers to *ecopreneurship*, describing this as a "Weberian ideal type that refers to a person who seeks to transform a sector of the economy towards sustainability by starting up a business in that sector with a green design, with green processes and with a life-long commitment to sustainability in everything that is said and done."

Isaak and Volery (2002) also distinguish in turn between two types of eco-entrepreneur:

1. The "environmental conscious entrepreneur", that is aware of the issues but it does not operate in the environmental marketplace and typically follows a business case for its environmental activities by striving for eco-efficiency in the use of resources;

2. The "green entrepreneur", that is not only aware of the issues but also operates in the environmental marketplace, seeks to find environmentally-centred business opportunities and its final outcome is to design products and processes that are "green" in order to transform the industrial sector towards a model of sustainable development, minimizing environmental impact.

Dees (2001, p. 4) claims *social entrepreneurs* are entrepreneurs, which address their effort to social problems, playing the role of change agents in the social sector by:

- Adopting a mission to create and sustain social value (not just private value);
- Recognising and relentlessly pursuing new opportunities to serve the mission;
- Engaging in a process of continuous innovation, adaptation and learning;
- Acting boldly without being limited by resources currently in hand;
- Exhibiting accountability to the constituencies served and for the outcomes created.


Crals and Vereeck (2004, p. 2) defined sustainable entrepreneurship as the "continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life for the workforce, their families, the local and global community as future generations".

From this definition we can assume that, the sustainable entrepreneur has to integrate and balance all the three dimensions to be considered as such, which are: to be financially sustainable in order to survive within the economic context, to focus on the environmental-friendly activities and on social responsibility.

| | Ecopreneurship | Social entrepreneurship | Institutional entrepreneurship | Sustainable entrepreneurship |
|---|---|---|---|---|
| Core motivation | Contribute to solving environmental problem and create economic value | Contribute to solving societal problem and create value for society | Contribute to changing regulatory, societal and market institutions | Contribute to solving societal and environmental problems through the realization of a successful business |
| Main goal | Earn money by solving environmental problems | Achieve societal goal and secure funding to achieve this | Changing institutions as direct goal | Creating sustainable development through entrepreneurial corporate activities |
| Role of economic goals | Ends | Means | Means or ends | Means and ends |
| Role of non-market goals | Environmental issues as integrated core element | Societal goals as ends | Changing institutions as core element | Core element of integrated end to contribute to sustainable development |
| Organizational development challenge | From focus on environmental issues to integrating economic issues | From focus on societal issues to integrating economic issues | From changing institutions to integrating sustainability | From small contribution to large contribution to sustainable development |

Table 3: Different kinds of sustainability entrepreneurship (Schaltegger and Wagner, 2011, p. 224)

## 2.5 Sustainable leaders and sustainable innovation

In a market system, innovations driving sustainable development do not necessarily occur by accident but can be created by leaders who put them into the centre of their corporate activities, therefore, only individuals and companies making environmental progress to their core business can be called sustainable leaders.

Furthermore sustainable entrepreneurs integrate environmental and social values into their company, realizing radical sustainability innovations that meet the expectations of larger group of stakeholders by destroying existing, conventional production methods, markets, and products and by replacing them with new superior environmental and social products, services and techniques, which reduce environmental impact increasing the quality of life and contributes not only to the sustainable development of the organization, but also of the market and society as a whole (Schaltegger and Wagner, 2011, p. 226).

As a consequence, they deal with very innovative company start-up and also with established companies or ventures or spin-off, supplying environmentally and socially beneficial products and services with the potential to change market conditions and regulations (Brickerhoff, 2000; Borzaga and Solari, 2001; Prahalad and Hammond, 2002; Mair, 2005; Bright, 2006;

Milstein, 2006; Desa and Kotha, 2006; Bull, 2008).

Sustainable innovation can be linked to both product and process innovation and since sustainable entrepreneurial opportunities are typically linked to market failures or externalities, exploiting these opportunities involves both market- and non-market strategies.

According to an article of Hockerts and Wuestenhagen (2010) there are two different types of organization that engage in sustainable entrepreneurship innovation, namely Davids and Goliah.

By Davids, we refer to small firms that tend to be recently founded and have a relatively small market share and by Goliaths, we refer to large incumbent firms who tend to be older and have a relatively high market share.

|  | Davids | Goliaths |
|---|---|---|
| Disruptive innovation | Sustainable entrepreneurship | Sustainable corporate entrepreneurship |
| Incremental innovation | Bioneers, social bricoleurs | Sustainability management systems, CSR, eco-efficiency |

Table 4: Delineation of sustainable entrepreneurship (Hockerts and Wustenhagen, 2010)

Small-medium enterprises differ also from larger firms in terms of their engagement with social and environmental issues, as a rule, they tend to have less formalised structures and strategies (Hamann et al., 2009) and thus rarely have codified social or environmental policies (Spence, 2007).

In the practice of the market place environmental leaders prove that high performance with clean production processes and clean products is in fact feasible, profitable and demanded by consumers.

We can at least distinguish three different types of companies, varying in their scope, market position, values and practices, which play an essential role in convincing mainstream companies to adopt their practices: large companies that green their business primarily in response to customers' demands, small medium enterprises that consider environmental leadership as a commercial opportunities and SMEs that are green from an ideological reason (Runhaar, Tigchelaar and Vermeulen, 2008, p. 177).

Sustainable entrepreneurship can be defined in a broad sense as innovative behaviour of actors in the context of sustainability, who "identify market opportunities for innovations concerning sustainability, successfully implement these innovations and create new products or services" (Gerlach, 2003, p. 40) and implementing strategies is an important point in a

sustainable innovation process.

According to Huber (2000) there are three main strategies to achieve sustainable development:

1. Sufficiency strategy, which focuses on social innovations, requiring a change in consumption and production patterns towards a more spared approach;

2. Efficiency strategy, which is based on improving current products and processes rather than creating new one;

3. Consistency strategy, which concentrates on improving the quality of material flows that are compatible with the natural resources cycles.

In order to implement these strategies, sustainable entrepreneurs have to overcome innovation barriers that are caused by the lack of executives' commitment to innovate, called willingness barriers, or by lack of the technical competence to innovate, also known as capacity barriers (Witte, 1973, Walter and Gemuenden, 1999).

We can distinguish at least two types of "promoters" who can actively foster the innovation process (Posch and Steiner, 2006, p. 280):

1. The power promoter, who are usually in a hierarchical position that enables them to motivate and encourage other individuals;

2. The know-how promoter, who helps to overcome capacity barriers by adding intellectual expertise.


From a case study of Wagner and Llerena (2008) on leadership for sustainability-related innovation, emerges that, in term of organisational structure, a board member with responsibility for sustainability can act as power promoters for sustainability-related innovation and the role of the middle or senior management under the board level seems to be limited to board directives, indeed such bottom-up activity, where individual employees act as promoters, needs subsequent board-level support.

As an alternative to assigning board level responsibility for sustainability, most of the larger companies interviewed usually have technology or sustainability councils at the corporate level, which discuss and decide on sustainability topics and as part of this on sustainability-related innovation, showing that senior managers were identified as power promotors who help to increase the acceptance of a sustainability-related innovation and who break organisational resistance.

Managers who want to drive the sustainable innovation processes must become innovation managers with substantial leadership competence (Jung et al. 2003; Krause 2004; Lloréns Montes et al. 2005), and a broad set of leadership skills.

An article of Bossink (2007, pp. 136-137) explores and explains the effects of a manager's leadership style on sustainable innovation processes in the Dutch building sector, showing that manager's leadership styles substantially contribute to the development of sustainable innovation processes.

It identifies four types of sustainable innovation leaders:

1. Charismatic leader communicates an innovative vision that stimulates co-workers, creates commitment and directs individuals towards an innovative process;

2. Instrumental leader sets goals, establishes standards and defines roles and responsibilities of employees by creating a system that measures and monitors results and implements corrective actions where necessary;

3. Strategic leader uses hierarchical authority to facilitate and approve innovative employees' ideas making bold decisions despite uncertain outcome and investing in innovation;

4. Interactive leader empowers employees to innovate and motivate them to become innovators, providing support, coaching and guidance.

Moreover another important driver of sustainability innovation that managers have to take in account is the relation between the information collection and knowledge management about sustainable technology (Bossnik, 2007, p. 144).

Indeed the research showed that participating in a knowledge network and collaborating with universities, research centres, consultancy firms and other knowledge providers stimulate innovative cooperation between organisations (Seaden and Manseau, 2001).

Lastly, in order to support sustainability innovation, government has to reduce:

- supply chain barriers such as the availability of resources, the lack of cooperation, the lack of ecological production methods, only one sub contractor;

- government legislation barriers such as rigid or too many rules, inadequate subsidies and environmental regulations;

- economic barriers such as increased costs, low demand for sustainable products, low customers' willingness to pay, limited growth opportunities;

and enhance incentives through measures such as reduction eco-labels, improving knowledge with leading companies by publishing lists of environmental leaders, creating form of compensation for leaders' extra costs and buying more sustainable goods (Runhaar et Al., 2008, p. 173-177).

2.6 Sustainability management tools

Sustainability leaders establish environmental management systems and departments that attempt to pilot and control environmental impacts in the most efficient manner.

Sustainability management is defined as taking a more active approach to facing problems; the intention is to shape the company, its products and services and to take advantage of technical and social opportunities.

Major goals of corporate environmental management are costs reduction, the improvement of competitiveness and eco-efficiency, image campaigns and the differentiation of products and services.

However, to make sure that eco-efficiency gains are not neutralized by higher production, "ecopreneurs must also focus on eco-efficacy, which can lead to the entrepreneurial challenge of substantially contributing to higher environmental quality through supplying eco-effective products and services" (Schaltegger, 2002, pp. 49-51).

Therefore the support and commitment from top management, who provides resources to ensure that sustainability management practices are integrated throughout the organization and in the core business model and processes is strictly necessary, examples are the "sustainability committees" consisting of decision-makers from various functions, for example production, R&D, marketing, procurement, strategy (Schaltegger et al., 2016, p. 93).

Sustainability management tools are essential components in helping managers to monitor and evaluate the internal development of the social and environmental measures while simultaneously engaging in a dialogue with external stakeholders on sustainable development issues (Kuhndt, 2004).

Such management tools can be particularly useful in assisting managers' decision-making on important environmental and social aspects relating to organizational operations, for example, a properly executed EMS can help company personnel monitor and pinpoint environmentally harmful operations, which can lead to organizational efficiencies and internal cost savings (Hillary, 2004; Seiffert, 2008; Zorpas, 2010).

Sustainability management tools can be considered as organization innovation because they integrate relatively new environmental and social management practices into conventional business operations.

In order satisfy its sustainability management needs, an enterprise should choose the most appropriate set of tools (Schaltegger, 2012), which could be adapted to fit innovation, organizational and environmental characteristics to improve the likelihood of adoption.

Furthermore we can apply the Roger's model of innovation diffusion (1995) to examine how and why certain innovative tools are implemented:
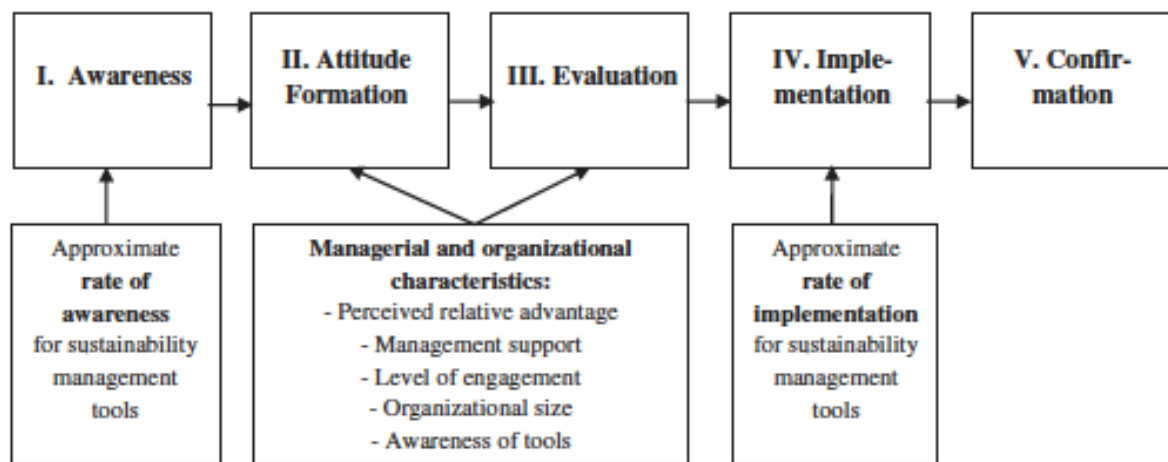
Figure 4: Model of innovation diffusion adapted to sustainability management tools (Johnson, 2013, p. 275).

I.    *Awareness*, managers will be informed of sustainability management tools and gain a better understanding of them (Halila, 2007);

II.    *Attitude formation*, managers can form positive or negative attitude toward these tools, influenced by managerial and organizational characteristics, depending on their beliefs about the future outcome (Hashem and Tann, 2007);

III.    *Evaluation,* managers decide to adopt or not these tools depending on expectations previously formed;

IV.    *Implementation,* management tools are implemented in the company;

V.    *Confirmation,* managers integrate sustainability tools into daily operations, replacing former management practices (Halila, 2007).

A wide range of tools was found in the past literature in various functional areas, e.g. accounting tools, marketing tools, production management tools, supply chain management tools, benchmarking tools, employee development tools, (e.g. training, employee suggestion scheme and incentive program), labels (e.g. organic, fair trade and stewardship labels), environmental and social management systems, reporting schemes and stakeholder tools (e.g. dialogue and networking), Plan, Do, Check, Act (PDCA[9]) cycle, life-cycle assessment (LCA[10]), environmental accounting and eco-control (Burritt and Schaltegger, 2002),

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[9] **PDCA cycle** is a model for continual process improvements, which is made up by four steps (Corinne, 2002; Jarvinen et al., 1998):
1. Plan: recognize an opportunity, set goals, collect data and plan the change.
2. Do: test and implement the change.
3. Check: review and measure the test, analyse the results and identify improvements.
4. Act: take appropriate action and initiate improvements based on the "check" step analysis.

[10] **LCA** is a method, which examines the environmental impact of products, processes, services, and other activities over the complete life-cycle, allowing managers to redesign these activities to improve sustainability and financial performance and includes three stages: goals and scopes definition, life cycle inventory analysis and impact assessment (Roy et al., 2009).

sustainability balanced scorecard (Figge et al. 2002; 2003) and environmental management systems (Tibor and Feldman, 1996), which have been developed to control material and energy flows in the most systematic way possible, focusing on the improvement of environmental performance rather than on the correct functioning of a management system.

The implementation of tools can also be fostered through local support programs and small business networks, allowing members to implement tools under the consultation of experts and with other firms' acting as cooperative peers pursuing a common goal, e.g. improved social and/or environmental performance (Ammenberg and Hjelm, 2003; Halila, 2007; Steward and Gapp, 2014).

Mostly implemented sustainability management tools are modified versions of conventional management tools, such as quality management systems and employee training and incentive programs, because SME managers addressing sustainability management for the first time might consider implementing such tools from conventional business approaches and incorporate social and environmental aspects to them gradually (Johnson, 2013, p. 281).

Expected benefits from these tools may encourage implementation, including the improvement of stakeholder relationships (Biondi et al., 2000; Hillary, 2004; Seiffert, 2008), the reduction of complexities of sustainable development that small businesses realize (Burke and Gaughran, 2006), and the improvement of SMEs' environmental and social performance through planning and measurement controls (Gerrans and Hutchinson, 2000; Ammenberg and Hjelm, 2003; Zorpas, 2010).

Other benefits include: the improvement of environmental and social performance through better overall awareness and communication (Gerrans and Hutchinson, 2000; Ammenberg and Hjelm, 2003; Perrini and Tencati, 2006; Rao et al., 2009; Zorpas, 2010), the operationalization of sustainability strategies by creating measurement and feedback channels (Friedman and Miles, 2002; Fresner J., 2004; Kerr, 2006; Rao et al., 2009; Parisi and Maraghini, 2010), and the facilitation of organizational learning and innovativeness through new environmental and social management practices (Dibrell et al ., 2011; Hansen et al ., 2010; Steward and Gapp, 2014).

In conclusion, the board and the middle management are in the best position to influence the CSR policies and the sustainability practices by deciding how to set and implement an internal control system and by communicating with stakeholders with appropriate reports or other means (see chapter 3), but their role in this process is still unclear despite the several studies conducted recently by various authors.

To define a correct approach that fit the best to our case study, a sample of 10 studies selected on the basis of the relationship between CSR and leadership field has been examined.

Table 5: Corporate Leaders and CSR relationship.

| Author, Year, Source | Purpose | Methodology | Data analysis | Results |
|---|---|---|---|---|
| 1. Benn et al., 2010, *Journal of Business Ethics.* | Examine how the theory and practice of public relations can provide direction and support to CSR. | Qualitative: Multiple case and cross-sectorial approach, data collection through CEO's and corporate leaders' interviews. | Sample of 8 Australian industry sectors represented by large corporations. The interviews were analysed using a critical discourse analysis approach. | According to data, the strategies of communicating CSR were argued to be mostly not evident. Indeed few company representatives mentioned the role of professional communication in this process, seeing public relations mostly as a source of positive advertisement. Therefore public relations function still remains a marketing related role. |

| 2. | Christensen et al., 2014, *The Academy of Management Perspectives.* | Examine how leaders influence CSR and corporate social irresponsibility. | Qualitative: Literature review. | 19 selected studies, summarized in a table, as organizing framework to link leadership with CSR. | By identifying, describing and categorizing leadership studies from the multiple literature, this paper highlights findings from individual-level research. |
|---|---|---|---|---|---|
| 3. | Du et al., 2013, *Journal of Business Ethics.* | Examine how the leadership styles adopted by firms' managers affect firm's CSR practices and outcomes. | Quantitative: Large-scale, on-line field survey of U.S. firms managers based on questionnaire. | Sample of 440 organizations. Hypothesis testing through multiple regression analysis. | The relationship between transformational leadership and institutional CSR practices is stronger when stakeholder-oriented marketing is high and significantly weaker otherwise. Transformational leadership is positively associated with organizational outcomes whereas transactional leadership is not. |

| 4. | Huang, 2013, *Corporate Social Responsibility and Environmental Management.* | Examine relationship between CEO's demographic characteristics and consistency in CSR performance. | Quantitative: Data collection through major rankings, annual reports and databases. | Sample of 661 firms. Multiple regression analysis to test 5 hypotheses with CSR performance as dependent variable (measured by accounting or market performance) and gender, age, tenure, education and nationality as independent variables. | A firm's CSR performance is associated with its CEO's educational specialization in two categories: MBA and MS degree. CEO gender and tenure also influence CSR performance, whereas the nationality and the age do not appear to be associated. |
| --- | --- | --- | --- | --- | --- |
| 5. | Kakabadse et al., 2009, *Corporate Governance: The international journal of business in society.* | Examine how CSR can be implemented and driven, with emphasis on the skills and capabilities needed by individuals. | Qualitative: Management interviews, data feedback and participant observation on case based analysis. | Sample of 65 profit and non-profit organisations across continents. Thematic analysis of 300 tape-recorded and transcribed interviews, narratives scripts were subsequently coded adopting a theory-based approach, as emerging themes were corrected. | Research findings revealed three stages of CSR implementation: decision-making, adoption and commitment. Furthermore it identified ten specific CSR leadership skills that appear to have relevance in one of the three stages mentioned above. |

| | | | | |
|---|---|---|---|---|
| 6. Metcalf et al., 2010, *Journal of Business Ethics.* | Examine the explicit and implicit CSR framework and its implications for leadership styles. | Qualitative: Open-ended explanatory study through interviews and meeting attendance. | Sample of 11 interviews (conducted inside an Australian bank) analysed with a content analysis software, in particular they reviewed the extant research to generate indicators for the leadership styles and forms of CSR and then they operationalized these indicators through keywords. | This analysis found two opposing systems of CSR, linked through the concept of "conflict": Implicit CSR linked to emergent leadership and values, and Explicit CSR linked to autocratic leadership and public relations. |
| 7. Quinn and Dalton, 2009, *Corporate Governance: The international journal of business in society.* | Examine how organisations' leaders adopt CSR/sustainability principles and how they enact leadership task. | Qualitative: Purposive sampling and structured interviews to senior executives who adopt sustainability practices. | Sample of 15 organizations, analysis conducted as follows: 1. Preliminary reading of the interviews; 2. Coding text-data into three manageable categories based on leadership framework; 3. For each set of data authors reviewed major themes and discuss the differences. | All the leaders behaviours identified in this study were coded in three leadership tasks: setting direction, creating alignment and maintaining commitment. By applying this framework to data, the authors documented what leaders actually do within each of these three broad "tasks" when faced with the challenge of successfully integrating sustainability strategies and processes into |

| | | | | current business practice. |
|---|---|---|---|---|
| 8. Székely and Knirsch, 2005, *European Management Journal.* | Examine the role responsible leadership plays in promoting sustainability by examining corporate metrics. | Quantitative: Surveys, metrics, performance indicators, indexes, reporting, standards, ranking. | Sample of 20 German companies divided in 6 sectors. Analysis of the sustainability reports and websites based on economic, environmental and social indicators. | Ten of the twenty companies analysed differ greatly in terms of the scope and range of what is measured and reported. External incentives and the adoption of internal sustainable management practices seem to have a significant potential to transform companies into sustainable institutions. Most of the companies analysed, have adopted the GRI's Sustainability Reporting Guidelines and the sustainable performance is generally measured by assessing economic (the most developed), environmental and social (the least developed) dimensions. |

| | | | | |
|---|---|---|---|---|
| 9. Verìssimo and Lacerda, 2015, *Business Ethics: A European Review*. | Examine how transformational leaders may become potential drivers of CSR policies. | Quantitative: Surveys with questionnaires. | Sample of 170 managers from 50 organizations. Regression analysis was conducted to examine the effects of the independent variable integrity and the mediator variable transformational leadership on CSR after introducing the control variables. | Findings present empirical support that links integrity with transformational leadership, thereby reinforcing the notion that transformational leaders have a moral dimension, act as role models of ethical behaviour, and contribute to an ethical climate in the organization. The results further demonstrate that transformational leadership is associated with CSR: CEOs exhibiting transformational leadership behaviours inspire followers and promote a common vision of value creation in the organization and to its stakeholders. |
| 10. Waldman et al., 2006, *Journal of Management Studies*. | Examine the relationship between demographic characteristics of CEO leadership and CSR. | Quantitative: Surveys with questionnaires, CSR indicators. | Sample of 56 US and Canadian firms. Multiple regression analysis of the effects of CEO charisma and intellectual stimulation | Results imply that intellectually stimulating leaders are not only attempting to pursue corporate responsible actions, but |

| | on the firm's propensity to engage in strategic and social CSR. | also that they focus their efforts on areas that are most relevant to strategic concerns of the firm, such as product quality and environmental performance. In contrast, CSR issues that have more of a social basis are not significantly related to charismatic leadership or intellectual stimulation. |
|---|---|---|

According to this literature review analysis the examined articles use both qualitative (preferring interviews of corporate leaders and content analysis of external reports text) and quantitative (preferring questionnaires, metrics, and multiple regressions with hypotheses testing) methodology to collect and analyse the raw data.

However the most interesting results, have been obtained by:

1. Du et al. (2013), who analysed how the leadership styles adopted by firm's managers affect CSR outcome;

2. Huang (2013), who analysed the relationship between CEO's demographic characteristics and CSR performance;

3. Kakabadse et al. (2009), who focused the relevance of individuals' skills and capabilities in the CSR implementation process;

4. Quinn & Dalton (2009), who examined how the organisations' leaders integrate sustainability practices inside their businesses;

5. Verìssimo & Lacerda (2015), who examined how transformational leadership may affect CSR policies.

6. Waldman et al. (2006), who analysed how intellectual and charismatic leadership styles influence strategic and social CSR.

These authors, mentioned above, therefore focused more on the role of corporate leaders, especially the CEOs, by emphasizing the relationship between their skills and characteristics and the CSR implementation practices inside the organisations.

Also Szèkely & Knirsch (2005) analyse this relationship but focusing more on the metrics of the sustainability performance and less on the leaders' styles and characteristics.

The focus of this study is therefore to understand the role that sustainability champions play in the CSR implementation by analysing, throughout the years, the effect of the evolution in the governance and consequently in the internal control system and in the external reporting process on the CSR disclosure of a company.

For this purpose, an Italian multinational company operating in the food sector has been selected as case study because of its high reputation in terms of sustainability practices endorsed by awards in the related field, its family's ownership and the presence of a new CEO in 2012 that contributed with his previous experience and his vision to this important change.

In particular what it is going to be analysed in the next chapter regards:

- the environmental section of the CSR that is disclosed in the sustainability reporting and in the website;

- the internal management control system that supports all the necessary sustainability activities;
- the corporate governance structure.

# CHAPTER 3
## Case study analysis

The aim of this case study is to show the changes on the CSR disclosure occurred before and after the assignment of the sustainability champion and to analyse how a change in the CEO of an Italian multinational company may have affected its corporate sustainability practices.

In order to investigate in depth the change in the CSR disclosure, the organization of the management control system as well as the evolution of the external and internal sustainability reporting process have be analysed in this chapter.

For this purpose, it has been adopted different qualitative research methods including semi-structured interviews to key company's managers and the content analysis of the environmental disclosure.

Moreover main environmental efforts and related key performance indicators trend over the last nine years have been considered to examine if adopted sustainability actions led to effective improvements.

At the end of the chapter, main limitations of this study and suggestions for future research will be discussed.

## 3.1 Methodology

The selected approach is the single case study method because of: the uniqueness of the company's features, the meeting of most of the conditions of previous examined theories (Quinn and Dalton, 2009; Benn et al., 2010; Willard, 2009; Schaltegger and Wagner, 2011) to analyse in depth this research site and to specify how certain conditions changed over different points in time, (Yin, 2009, p. 18-19).

Although this methodology suffers of some drawbacks as the little basis for scientific generalization that it provides, the long time it takes for the massive reading of documents, however a single case study allows understanding a real life phenomenon in depth, relying on multiple sources of evidence and theoretical proposition to guide data collection and analysis (Yin, 2009, p. 15).

The selected approach to examine this case study are different qualitative research methods: on the one side the interviews developed with some key employees involved in CSR reporting process are analysed to identify links between internal dynamics and external disclosure; on the other side the content analysis of the company's sustainability reports is performed in order to collect more detailed information on the environmental section and to specifically analyse disclosure patterns.

Interviews give a more direct access to information and due to their nature they allow to understand individuals' perceptions and to collect valuable opinions and meanings (Yin, 2009, p. 106).

In particular, semi-structured interviews tend to be more flexible by guiding the talk with a pre-determined set of questions related to the topics to cover while allowing the interviewed to express its own experiences through a conversation between equals (Yin, 2009, p. 107).

Content analysis has been widely used in corporate social and environmental responsibility research, examples of studies that use this methodology include Guthrie and Parker (1990), Nieminen and Niskanen (2001), and Maignan and Ralston (2002), as qualitative research technique, with which data are collected and analysed by reading and codifying the written text, in particular the sentences, into various categories based on specific criteria (Campopiano and De Massis, 2015).

Content analysis can be performed by using words, clauses, sentences, paragraphs or pages as the recording unit (Krippendorff, 2004), this thesis uses sentences as recording unit (Milne and Adler, 1999).

As research tool, the content analysis allows the researcher to analyse large volumes of data in a systematic way, to discover and describe the issues of focal importance and this disaggregation into content themes allows capturing all the relevant meaning, but the most difficult part of the methodology consists in the compression of text into content categories that is known as coding (Metcalf, 2010).

Approaches to content analysis generally split into two major categories: conceptual analysis, which involves the detection of explicit and implicit concepts in the text and the relational analysis that measures the relationships between concepts (Metcalf, 2010).

The adopted conceptual analysis allows the selection and the examination of main concepts and their quantification by counting their presence in the chosen text by coding the data through specific categories.

First of all, data collection has involved gathering CSR documentation concerning the environmental disclosure of the company through the following multiple sources of evidence:

1. The sustainability reports from 2008 (the first available) to 2016 (the last available) and the company's website "Good for the Planet" section;
2. The annual reports section dedicated to the sustainability issues from 2008 to 2016;
3. Press articles concerning CSR, especially company's awards;

Moreover, the GRI[11] G4 Guidelines have been adopted as framework to perform content analysis on corporate sustainability reports' environmental sections. These guidelines have been chosen, because the company is applying GRI principles and G4 Guidelines are more detailed than previous versions (e.g. G3). In particular, specific environmental indicators concerning energy efficiency, carbon emissions, water consumption, waste recycling, supply chain impact, land exploitation and sustainable products have been considered.

Afterwards, corporate environmental information of sustainability reports have been analysed and placed into different categories, by examining their relevance, typology, nature, and effect.

In regards to the analysis of the internal management system as well as the internal reporting process:

1. The code of ethics entailing core corporate values and principles;
2. Two targeted semi-structured interviews, administered by two professors between November and December 2015, to four corporate managers in the company's headquarter to further understand the governance structure evolution, the internal management system organization, the description and the reasons to implement the sustainability reporting process and KPIs used in planning and monitoring activities.

| Corporate Function | Task | Classification |
|---|---|---|
| Communications and External Relations | Press Office & Media Relations director. | CER 1 |
| Communications and External Relations | Sustainability Communication manager. | CER 2 |
| Communications and External Relations | External Scientific Relations & sustainability director. | CER 3 |
| Supply Chain and Raw Materials | Raw materials purchasing director | SCRM |

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[11] The Global Reporting Initiative (GRI) is an international independent organization that helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others.
GRI provides the world's most widely used standards on sustainability reporting and disclosure, enabling businesses, governments, civil society and citizens to make better decisions based on information that matters (GRI website, 2017).

3.2 The case study company: an overview

The selected company belongs to an Italian group manufacturing and distributor of pasta, sauces, and bakery products across the globe.

It was founded in 1877 when the founder opened a bread and pasta shop in Parma, in 1910 the first factory opened with 100 workers and the firm's logo was registered and in 1936 the first commercial network was established.

Today the Group is managed by the fourth generation of the family, with more than 8000 workers and about 50 subsidiaries; it is among the top Italian food groups a world market leader in the pasta and pasta sauce businesses in continental Europe, bakery products in Italy, and the crisp bread business in Scandinavia. Currently, the Group owns 30 production facilities (14 in Italy and 16 abroad), has operations across the Europe, Asia, Africa, Australia and America producing in five countries: Italy, Greece, Turkey, the United States and Mexico and exporting to more than 100 countries.

Every year, its plants turn out around 1,700,000 tons of food products that are consumed on tables all over the world, under the several brands.

The company operates through three business units: Meal Solutions, Bakery, and Other.

Under the Meal Solution business units, the company produces and sells first courses such as pastas and sauces and three other major local brands in Greece, in Turkey and in Mexico, in Italy and the rest of the world excluding the North American (the US and Canada) and Mexican markets.

Through Bakery business unit, the company manufactures and sells bakery products such as biscuits, toasted bread, cereals, snacks, pastries, soft bread, brioches, power snacks, cakes and crisp bread.

Under Other business unit, the company operates restaurants under the "Academia" label and through another brand it offers retail services.

The most important supply chains are those of durum wheat, common wheat, rye, tomatoes, eggs and sugars, as these are the main ingredients of pasta, bakery products and sauces.

The company operates a sustainable supply chain management, which impacts on company's operational costs. The Group uses 1,200 suppliers worldwide, 800 types of raw material and 50 types of packaging materials. For sustainable sourcing, the company received the 'Environmental Awards 2015' by the Greek government in December 2014. In FY2014, 76% of durum wheat was farmed locally, while 100% of cocoa and palm oil was sourced from members of international organizations responsible for sustainability and safeguarding human and environmental rights (AIDA Database, 2015 and corporate website, 2016).

The most significant economic and financial results of the Group for the fiscal year 2015 are

(Annual Report, 2015):

- Sales revenues €3.382.767 (4% increase compared to 2014);

- EBIT €308.369 (6% increase compared to 2014);

- Net earnings €172.067 (15% increase compared to 2014);

- Total assets of €2.797.403 (8% increase compared to 2014);

- Equity of €1.103.379;

- Net financial position of -€199.372.

The next subsection reports an overview of the main components of the company's management control system that can serve as background for further analysis. This overview has been obtained through the analysis of the various documents types reported above and of the interviews with the senior managers.

3.2.1 An overview of the main components of the company's management control system

Until 2011 the company's organization structure was composed by: Process Units, in charge of process and cost efficiencies such as supply chain, human capital, treasury, Market Units, responsible for market growth and profitability and Business Units responsible for business growth and profitability improvement (Sustainability report, 2011).

Since 2012 the business has adopted a new organizational structure in order to enhance its internationalization process of global branding strengthening, to provide units all levers to pursue new markets growth and to ensure an efficient coordination among all process units, which is divided into (Sustainability report, 2012):

- Global Functions: process units that are responsible for ensuring central management by defining global strategies, guidelines, processes and key performance indicators for all Units;

- Regional Functions: market and regional units that are engaged in peripheral management of processes, programs, systems, resources, and key performance indicators.

The corporate governance of the company relies on the traditional model (Corporate website, 2017):

- Board of Directors, that manages the company by establishing its guidelines, defining the direction, assessing organizational structure, and supervising the accounting

system and the general performance, is composed of the Chairman, the two Vice-chairmen, the CEO and two independent Directors;

- Board of Auditors, appointed for a three year term, that supervises the compliance with the law, with the Law and the Statute, as well as with the principles of proper management;

- Shareholders' Meeting that is in charge of appointing the members of the Board of Directors and the Board of Auditors, as well as of approving the Annual Report and Financial Statements.

Regarding the sustainability management system, designed to ensure constant exchange between the company and its stakeholders and transversally integration and maximum sharing at all levels of the organization, hierarchical responsibilities are assigned to the Chairman and Vice-chairmen, who ensure that these issues are well communicated, developed and consistent with the company's values (Sustainability report, 2015).

The Group Leadership Team (GLT), made up by the CEO and the first line of top managers reporting to him (Executives and Regional Presidents), defines the development strategies, review the objectives (2020 Goals) and approve the strategic projects, verifying the progress made periodically by assessing the key business indicators.

Furthermore, a key role is carried out by an Executive Steering Committee, an inter-functional group established in 2011 involving all main corporate areas, that identifies strategies, guidelines and project proposals according to sustainable development targets (started in 2012 with a long-term view), carries out the monitoring of sustainability-specific risks and performance through a defined set of indicators and reports the main results of stakeholder involvement activities to the GLT (CER 2 interview and Sustainability report, 2015).

The steering committee is coordinated by the Sustainability Unit, a standing group that operates within the Communication and External Relations department, which meets every two months, managing the committee through one person for corporate function (human resources, operations, finance, research and development and the like) and is responsible for internal and external communication on sustainability, giving also feedbacks on the KPIs trend (CER 2 Interview).

Moreover, operating groups, led by the Steering Committee, have been set up, ensuring an effective coordination between corporate functions in order to manage specific and mainly short-term projects in the "Good for You, Good for the Planet" way of doing business.

In the process of sharing specific responsibilities inside the organization, the main management offices are assigned performance objectives linked to the management of the sustainability process (Sustainability report, 2015).

In managing the process of delegation, these objectives are adapted according to all the main corporate functions, such as the system for assessing the CEO's performance, which also contains indicators linked to the level of achievement of sustainability objectives.

In addition, in order to involve the workforce into the sustainability process, from 2012 groups of employees, who are more sensible to these themes called "champions" or "experts" for social and cultural reasons, are chosen as motivators from the top. (SCRM Interview).
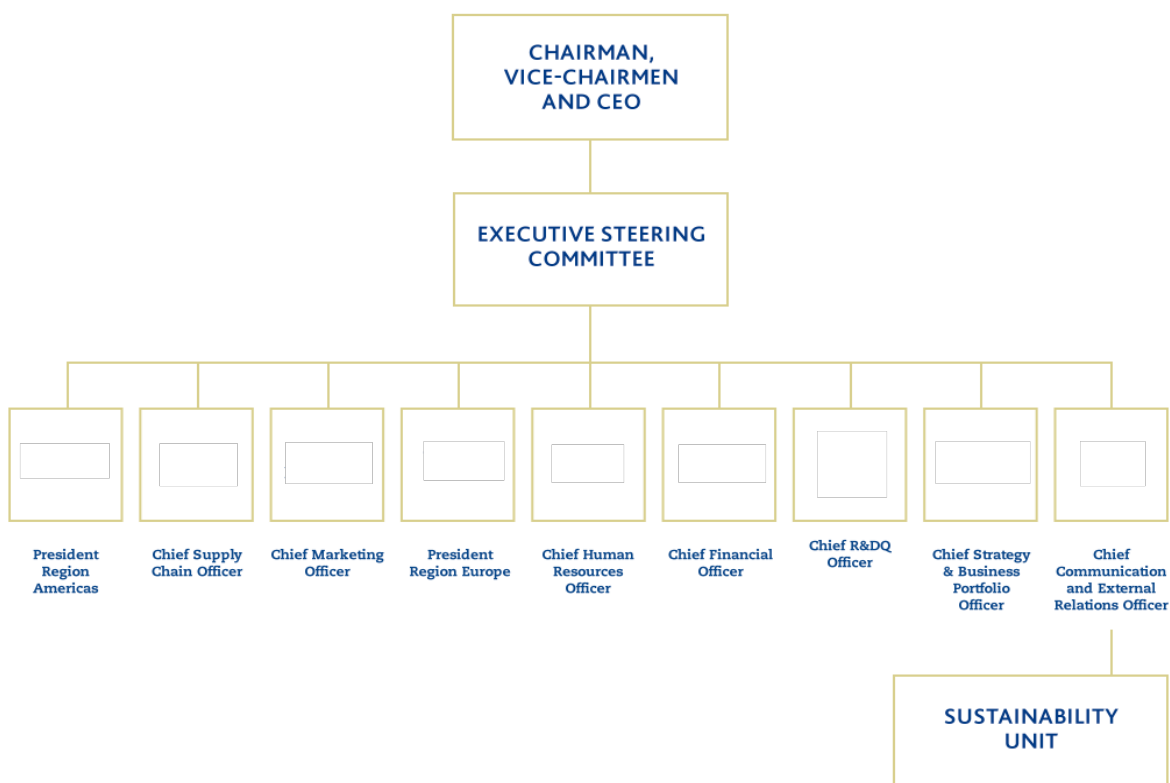


Figure 1: Organization of the "Good for You, Good for the Planet", corporate website, (2017).

In accordance with the provision of Decree Law 231 (2001), the company adopts the Organization, Management and Control Model, which supports the management system, including a general section (summarizing accountability issues) and special sections (summarizing risk areas and monitoring procedures) together with the Code of Ethics, these define the types of corporate crimes, the business areas considered at risk of a crime being committed, the procedures, systems and protocols aimed at preventing crimes and the set of principles and values that the company identifies with and that the directors, statutory auditors, employees, external collaborators, suppliers and customers are required to adhere to, subscribing a sort of "moral contract" that has not the aim to enhance its competitive position

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but to encourage everyone to adopt a more ethical point of view and a shared culture.

To ensure an effective implementation of the internal controls system, a Supervisory Body has been appointed composed by three members, that checks the appropriateness of the Model to the changing legislation, as well as full compliance with the provisions contained therein and reports to the Board of Directors on the results of control activities carried out on a six-monthly basis, oversee and monitor the implementation of the Code of Ethics and express opinion regarding the need to revise the Code and the significant policies and procedures (Sustainability report, 2015).

This code is inspired by the "Company's style", which, as the founder used to say, is a behaviour that "involves many little things", meaning that performing business activities with dignity, in strict compliance with the rules, and conforming behaviour to shared principles and values such as the honesty and transparency in communicating information and the integrity and fairness in carrying out stakeholders relations, are "fundamental assets for the company" (Code of Ethics, 2016).

The company has been actively managed by the same family for four generations and, unlike other big or listed companies with fragmented ownership, this is the real reason that explains why sustainability culture has always been intrinsic in the company values (SCRM interview and Code of Ethics).

When considerations about ethics apply to the business, the concepts of responsibility and individual awareness shall be linked to the concepts of "Company's Social Responsibility" and "Corporate citizenship".

For the company, Social Responsibility means the ability to perform its business activities in full respect of the legitimate interests of its partners and customers, as well as respecting human rights, communities welfare development (especially those of developing countries that produce basic materials for its products) and protecting and preserving environmental resources for future generations (Code of Ethics, 2016).


3.3 The CSR path

As long as the business activities affected the environment, the company developed a special attention to sustainability issues, in particular relating to production processes and products effects, what matter actually are not only the quantity and the quality but also the external environment impact.

Following this path, in 2008 the corporation made its first effort to pool and to reorganize all the sustainability information gathered in the previous years into an integrated system (CER 2 interview).

The company constantly invests also in plans and activities along the supply chain in order to improve not only the economic but also the environmental performance.

Since 2009, the corporation has engaged in education and communication programs addressing global sustainability issues related to nutrition and food production through the establishment of the think tank "Centre for Food and Nutrition" (CFN), a multidisciplinary body made up by scientists, internal and external experts working in different and complementary sectors, which, in the same year, presented the "Double Pyramid", a framework based on Mediterranean diet principles linking food nutritional values to environmental impact, that became the reference point for the company's way of doing business with the goal by 2020 to offer products only of the bottom of the pyramid (Sustainability report , 2014):



Figure 2: "The Double Pyramid", sustainability report (2014).

The table shows that the production and consumption of food do not only influence the people's wellbeing, but also the quality of the external environment.

Therefore the foods with low environmental impact are the same for which a more frequent consumption is recommended, whereas foods with a higher environmental impact are the ones that should be consumed with moderation.

In order to calculate their impact on the environment from field to table, from 2009 it has been adopted the Life Cycle Assessment (LCA) of products and processes environmental impact across the supply chain, which allows to assess and compare all the stages of the production processes by taking into consideration three indicators: greenhouse gas emissions (Carbon footprint), water consumption (Water footprint) and the use of the area of biologically productive land (Ecological footprint).

Figure 3: Example of Life Cycle Assessment of Dry Semolina Pasta (2013).

Moreover in 2010 the company developed a certified system, which leads to the verification and communication of LCA results by summarizing main environmental impacts, known as Environmental Product Declaration (EPD), applied across the years to an increasing number of products.

This public document is the result of a funnel process: products specific data contribute to create and update a database, then these data are processed in order to come up with an internal documentation that will be published (Path Toward Sustainability Report, 2011).

The study showed that the most impacting stage of the product life cycle is the cultivation because it consumes different factors such as pesticides, machinery fuel and water for irrigation.

For this reason the company decided to develop more efficient and sustainable agriculture practices and thanks to a close collaboration with suppliers and the support of University of Piacenza, in 2010 the Sustainable Cultivation project was implemented for all the supply chains of the key ingredients, which is made up by a team of agro experts analyse and compare different cultivation methods in Italy, in order to identify more sustainable and efficient farming systems in the supply chain. Moreover, in the following years the main results obtained were collected in the Sustainable Decalogue and a meteorological web platform has been implemented for farmers.

With this project, the company won the 1st European CSR Award Scheme, which is an initiative promoted by the European Commission with the aim to give visibility to the best practices of Corporate Social Responsibility in Europe, in the 2013 (Sustainability report, 2013).

Since 2003, the company developed an environmental management system (EMS) certified with standard ISO 14001, which is applied to all company's factories and from 2013 integrated with an integrated safety system and an energy management system allowing a reduction of the product's environmental impact

Other projects has been implemented to improve business processes efficiency:

1) The Energy Saving Project (ESP) is a project launched in 2005 and expanded throughout the years with new investments in renewable energy plants, which was developed to improve plant management efficiency in the factories of the bakery business by reducing total power and thermal energy consumption.

2) Sustainable Packaging is a project consisting in the efficiency optimization and in the reduction of environmental impact of packaging by progressively eliminating non eco-compatible components and by using uniform materials that are easier to recycle.

These actions allowed winning two awards (Oscar for Packaging) in 2004 and 2006.

3) Water savings projects are implemented to reduce water consumption in the production processes and recovering along the strategic supply chain and are based on the water footprint indicator calculation.

Furthermore, in 2012 the company, by translating its corporate culture and values, formulated the strategy document named "Lighthouse", which sets the future direction and goals for 2020 including the "Only one way of doing business: Good for You, Good for the Planet".

From the choice of the raw materials (from the field) to providing information on correct food habits through its products (Mediterranean lifestyle), this approach represents the only solution to take care for the present and future wellbeing of People, the Planet, and the Company, promoting and making further progresses towards the 17 Sustainable Development Goals of United Nations Agenda (Sustainability Report, 2012).

In the following table it s reported a summary of the main CSR efforts and related results' evolution from 2008 to 2016 of the environmental section in the sustainability reports of the compny.

| EFFORTS | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|---|---|---|
| Energy Saving Project | Decrease by 3% of electricity consumption achieved through installation of high performance electrical engines, air compressor, water refrigerators and lights bulbs. | Expansion of Energy Saving Worldwide project. Pedrignano gas co-generation plant and Caserta tri-generation plant completed. Decrease $CO_2$ by 4.2% (compared 2008). | Installation of cogeneration plants in all production facilities and more international approach is adopted. Decrease 13% $CO_2$ emissions (compared 2008). | More internationalization with Italian and French facilities developed new energy consumption measurement system. Emissions of $CO_2$ fell by 19% (compared 2008). | Agreement with producer of hydroelectricity for company's demand. Decrease of 25% in $CO_2$ emissions (compared to 2008). | Hydroelectric source in Germany and Sweden facilities. Parma and Foggia powered with co-generation plants. Decrease of 15 % $CO_2$ (compared to 2010). | New energy saving techniques and careful selection of energy suppliers. | New energy saving techniques and careful selection of energy suppliers. | New systems to recover and reduce heat losses, in the Caserta, Bolu and Filipstad plants, renewed the cooling systems in Novara and Castiglione, replacement of lighting systems with LED. |
| Sustainable Agriculture Project | - | Start of the project with specific study on fertilisers and wheat cultivation techniques in 4 macro areas | Review of crop rotation cycle of durum wheat with other herbaceous crops commonly used in Italy with environmental, food and financial assessment indicators. | Results were collected in the company's Decalogue for the Sustainable Cultivation of durum wheat for farmers, | Development of Granoduro.net, a web tool linked to weather network in all main sites that advises on the optimizations of the cultures, Project extended to13 Italian farms | Global development: more than 100 farms involved in North America, France, Greece, Turkey and Sweden. | The project has shown a 30% of co2 emission decrease can be achieved as well as 20% increase in farmers gross income. | - | Define sustainable cultivation projects for all supply chains, Sustainable agriculture code applied to raw materials accounting for 80% of ingredients used. |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Sustainable Packaging | 17% reduction in packaging material weight. Introduction of graph symbols to assist consumer in choosing the correct container. | | Oscar for Packaging and increased in recyclable packaging. | % of packaging material increase. 100% virgin fibre used. Recyclable biscuits packs. Testing of recycling step in collaboration with external bodies. | % of recyclable materials rose, improved packaging design. Development of forest management certification system (FSC) to ensure sustainability of supplies. | % of recyclable materials rose, 85% products provides instruction fro better consumption and 93% have nutritional info on the pack. | 98% of recyclable material, 100% of FSC or PECF certified paper. | - | 99% packaging recyclable, 100% acquired according to Guidelines, 100% materials fused rom responsibly managed forest. |
| Environmental Management System | 57% of total facilities certified (73% of the Group) | EMS ISO 14001 for a sustainable supply chain project with four strategic co-packers | 60% of manufacturing facilities certified EMS 14001. | 70% of products manufactured in certified plants. Extension of Ems with an Integrated Safety and Environment System (ISEM) | - | 83% of plants are certified ISEM. Implementation of Energy Management System ISO 50001 in Italy, Germany and Sweden. | 86% EMS ISO 14001 Energy Management System ISO 50001 | 88% plants ISEM certified with international management standards OHSAS 18001. | 89% production plants certified ISO 14001. Energy management system ISO 50001 standard in 9 plants. |
| Water Reduction Projects | Recovery of water from depuration plant in Cremona, of cooling water in Castiglione and Parma and reduction of leaks in Novara water system allowed 30% | Reduction water consumption by 4% with respect to the previous year, mainly due to program implementation manufacturing facilities through installation of | 13% decrease water consumption compared to 2008 due to elimination of cooling system, optimization of evaporation process, installation of | 19% decrease water consumption compared to 2008 thanks to implemented projects. 60% of plants equipped with water purification | 23% water reduction compared to 2008, new plant in Rubbiano, 55% plants own wastewater treatment, which reduces impact of waste discharged in | 13% reduction in water consumption with respect to 2010, projects to reuse water resources have been developed, in particular at the plants in Cremona, | Water consumption reduction of 20% compared to 2010 | Water consumption reduction of 19% compared to 2010, Systems of water re-use and specific projects to reduce | Water consumption reduction of 30% compared to 2010. |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | reduction in water consumption compared to 2005. | cooling and refrigerating system in Pedrignano, Novara and reduction in washing cycle. | flow regulators. | | surface. | Foggia, Ames (USA) and Avon (USA). | | consumption have been put in place to manage water resources | |
| Life Cycle Assessment | Structured analysis process starts, involving increasing number of products and making assessment more reliable | LCA model extended to all pasta production facilities in the world | 50% of company's production is subjected to LCA. LCA calculated in accordance with the Environmental Product Declaration (EPD), a certified public document summarizing environmental impact of products along its life cycle | 53% of company's worldwide production is subjected to LCA. | 60% of company's worldwide production is subjected to LCA. 28 EPD have been issued related to 55% of the production. | 74% of Group's global production is subjected to LCA. 64% of volumes covered by EPD | 79% of Group's global production is subjected to LCA. 67% of volumes covered by EPD. | 79% of Group's global production is subjected to LCA 69% volumes covered by EPD | 71% of Group's products monitored by LCA analysis. 69% volumes covered by EPD |

Table 2: Main efforts and results obtained (Environmental section of corporate sustainability reports from 2008 to 2016.

Results from the table 2 above show all the efforts share a common trait: from 2012-2013 an internationalisation process has started involving more and more projects throughout the years and becoming part of an integrated system.

Furthermore from 2014 only main results have been disclosed without adding non-relevant information and further explanations.

These efforts made by the company appears also to impact on the main environmental performance indicators trend across the years as the following graphs show.

Carbon dioxide emissions of supply chain activities show a steadily downward trend after 2009.

It has been pointed out that the supply chain activity that has impacted on the environment by far the most is the cultivation stage.

### CO$_2$ emissions (Million tons)
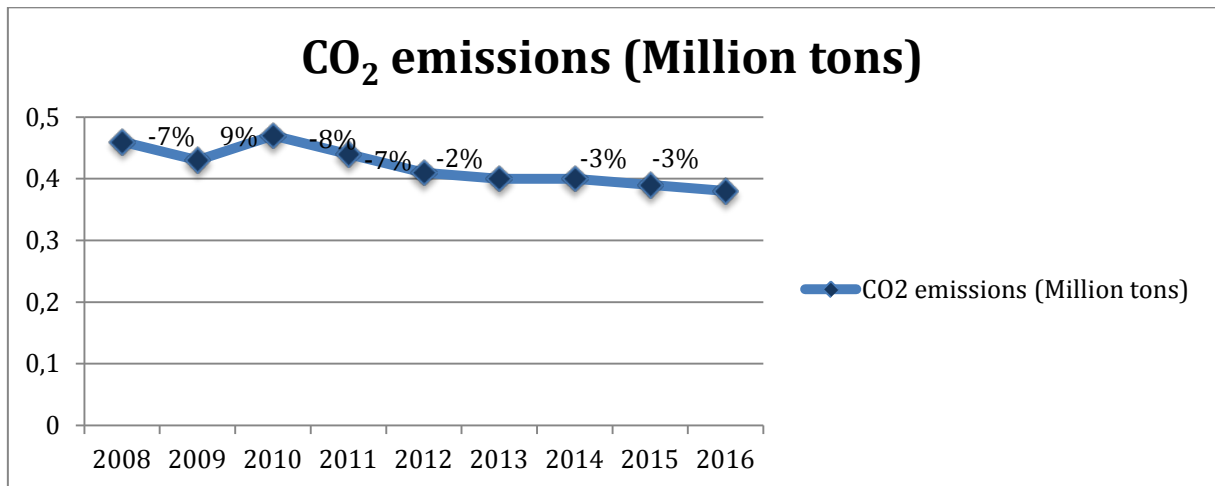
Graph 5: CO$_2$ emissions in relation to product volumes

Water consumption initially dropped in first six years and then declined steadily for the last two years, mostly thanks to water savings developed in the production plants.

### Water consumption (m$^3$/t)
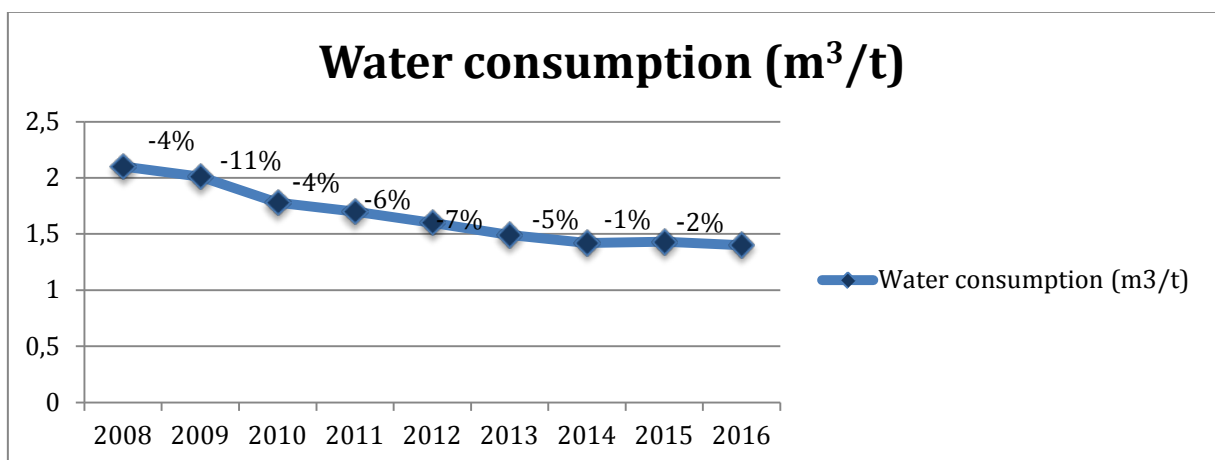
Graph 6: Water consumption per ton of finished product

Energy efficiency experienced an average sharp decrease of 3% until 2014 in its pattern due to the improved efficiency in the management of the plants, and despite it rose by 5% from 2015 to 2016 due to an increase in the volumes produced, it remained in line with the expected energy consumption.
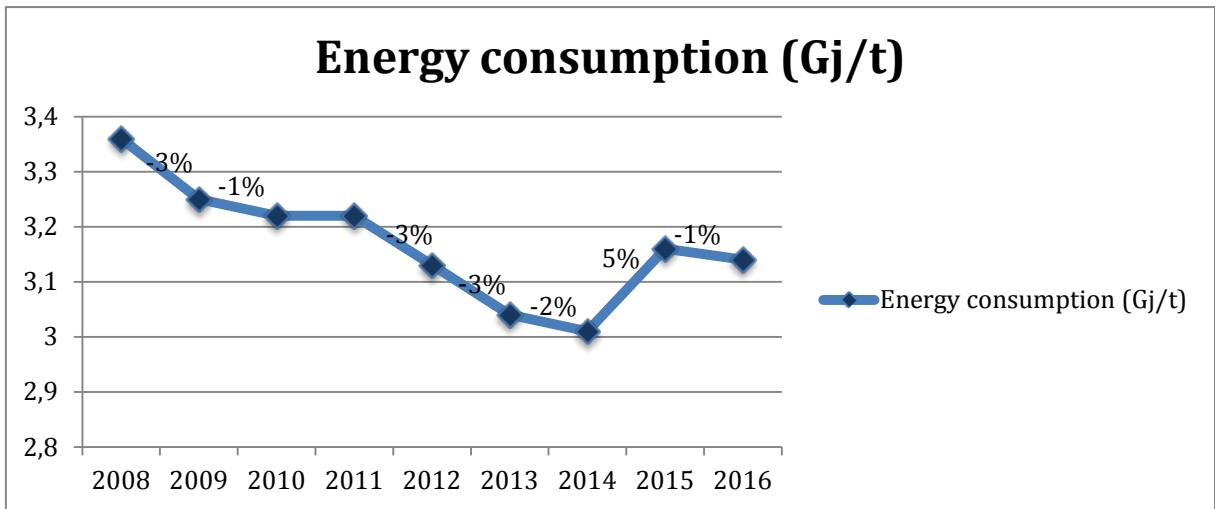


Graph 7: Energy consumption per unit of finished product

The percentage of recyclable packages increased by 14% from 2008 to 2016, reaching the peak by 99% in the last two years of the total material recyclable.
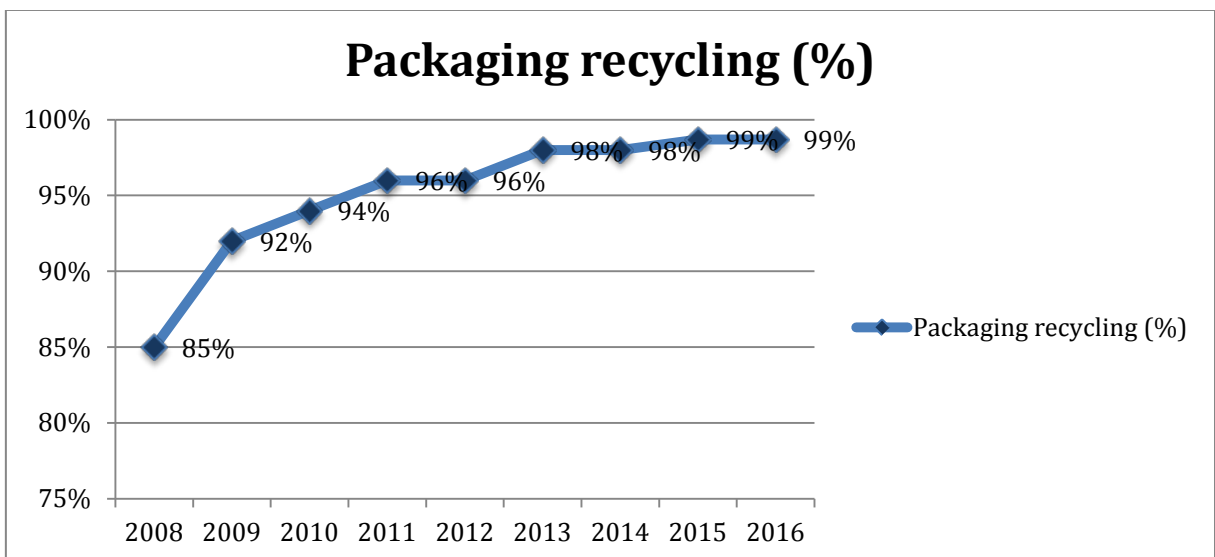


Graph 8: % of recyclable packaging placed on the market.

3.3.1 The sustainability internal and external reporting process

Using a reporting lens, the company's reporting process is synchronised in order to ensure consistency and integration with data flows and time horizon and sustainability reports are annually presented alongside with the consolidated financial statements, starting with

stakeholder's consultation from May until October, the data collection and processing from December to February and concluding with the report delivery in April (CER 2 interview).

Despite social responsibility has always been an integral part of the corporate culture and with dedicated projects, before 2008 there was not a specific accountability system addressing to these themes (CER 2 interview).

It is in 2008, within the communication and external relations department, that an assessment process, which consisted in a data gathering and organization of previous years not only through an internal consultation but also through meetings with the main external stakeholders (at the beginning only 30 people but across the years they increase by reaching the 200 people), started due to the needs to understand deeply the corporate impacts on environment and society during normal business activities (CER 2 interview).

Since 2010 the long-term objective has been to make all areas within the company participate actively in the reporting process so that sustainability is reflected in the business strategies.

Specific group of stakeholders are identified, classified and assessed according to the relevance and frequency of their relationships with the company in an annual-updated Stakeholders Map, which allows the company to strategically and systematically manage relations with them (Sustainability report, 2010).

In order to involve the stakeholders from the very first steps in the reporting process, representatives of the key stakeholder categories (employees, suppliers, customers, scientific communities, government…) are then invited to attend a representative panel will be set up based on the final outcome of the mapping analysis (SCRM interview).

In the annual permanent stakeholders panel, significant areas of sustainability are identified, relevant feedbacks on key sustainable topics are gathered and strategies adopted for sustainable targets are compared.

However, the meeting with stakeholders is a fundamental opportunity for the process of sustainability reporting not only for the delineation of strategic goals: by starting with the analysis collected, subsequently the reporting system for the next year can be planned.

In 2013 it occurred the first edition of the panel to include an international round table and it focused on young people under the age of 35 with a specific work group and it has been introduced a specific panel for scientific community (Sustainability report, 2013).

In 2014 the panel took place not only in an Italian edition in Parma but also at European level in Brussels and nearly 200 people were involved, discussing sustainable development topics concerning the people, the planet and the communities (Sustainability report, 2014).

After the stakeholders panel, a Kick-Off meeting involving all corporate functions (from IT to supply chain) takes place in October to discuss key sustainable accountability themes by

analysing their level of "materiality", that is their relevance for the sector and the business model, from different points of view (economic, social and environmental) with regards to the alignment to the "Sustainable Development Goals" and the Global Compact of the United Nations, to the objectives of the CFN trend and to the key indicators alignment.

Furthermore the main KPIs need to be the same of the management performance system in order to ensure integrity and the possibility for corporate managers to control their processes (CER 3 interview).

From these analyses, a materiality map is created, attributing a level of priority to each topic and taking into account both groups and stakeholders issues concerning people, planet, customers and communities dimensions.

This innovative approach has been adopted not only because of the company's commitment to communicate information transparently with the main parties interested in the impact of the business, but also to involve them in the sustainability reporting process and to gather their valuable opinions and suggestions, which are then incorporated in a follow up document and sent to all participants.

Indeed only by engaging a continuous relationship with stakeholders based on an open dialogue and debate on sustainability topics is possible to define clearer challenges, objectives, projects and indicators (sustainability report, 2013).

Furthermore, a broad indicators system that measure the social and the environmental impact of the activities and the expected future targets, has been developed even if sustainability is still more a project than a process except in particular corporate areas.

In 2015 an improvement of this system took place due to collaboration with an external reporting agency that created an on-line software where data are uploaded manually and the employees in charge of reporting have now the possibility to gather necessary data in this system from December to February (not from the specific function director as occurred in the past) and afterward start the delivery phase (SCRM interview).

KPIs are selected by the various areas of the company to measure the progress of the objectives linked to the challenges and commitments and they are defined e reviewed through consultation with the stakeholders' panel by considering the internal strategy in order to maintain continuity in the business activities evaluation, indeed these are monitored and revised annually to decide if to drop irrelevant and to keep or to add significant key indicators.

"The public disclosure of these adopted key performance indicators has a big effect not only on the reports but also on the firm's commitment: once published, they become binding for managers, shared by all the corporate functions and must be respected…" (SCRM interview).

In addition, the Group Leadership Team owns an internal scorecard, which is updated every four months, with main macro sustainable indicators as performance monitoring system, and if significant variances occur between the planned target and the actual results, the GLT must adopt corrective actions (CER 3 interview).

Summing up, at the beginning of the company's sustainability journey the family's vision and values of sustainability had a key role and acted as propulsive stimulus reinforced continuously through events and public speeches to increase awareness in the organization. More recently, keeping into account Steering Committee reports on consultation with a panel of main stakeholders categories as well as with main corporate functions managers, a materiality map of objects and actions is created and main indicators to assess performance, targets of the "GYGP way of doing business" are outlined in the Lighthouse strategy.

Afterwards main KPI's are monitored and revised during the years in order to modify them if necessary changes will occur.

The company's data collection process, that involves multiple corporate functions through a structured reporting process, ends up in the report package, which is made up by (CER 2 interview):

1) A chart of accounts, which encompasses the thematic areas and related key indicators;
2) The effective document "Good for You, Good for the Planet" to communicate with stakeholders, published in long and short versions;
3) The corporate Website, which is updated yearly;
4) Other specific documents such as global compact, carbon documents and the like.

Sustainability reports are the most important documents published by the company, which has not only the duty to communicate its own CSR values and commitment toward communities, planet and people, but also to act as monitoring tools to identify results' progress according to objectives set for the long and medium term.

From 2008, which is the year of the first published report, to 2010 the sustainability reports named "The Path Towards Sustainability", were more consistent and fragmented into more sections, such as Nutrition, Supply Chain, Environment, Human Resources, People, Communities and Stakeholders, than now because of the decision to adopt the GRI3 guidelines as a reference point to facilitate comparison on international level of the sustainability policy, achieving in 2008 and 2009 a Level of Application [12] "C" and

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[12] The Application Levels System is used in the guidelines to indicate a measure of extent of disclosure of GRI reporting information, it ranged from C (low score) with a minimum 10 disclosed indicators, B with a minimum

subsequently in 2010, the adoption of new indicators led to an improvement, allowing to record a level "B".

However, in 2011 there was a significant change in the way reports presented information: the company decided to streamline the structure by introducing a long and a short version and decided to adopt GRI-G4 guidelines (achieving an application level "core option") that are more suitable for the business, than GRI-G3 because of the higher level of materiality, which allows to report information more relevant for stakeholders, as the introduction of the "Supplier Environmental Assessment" section, which is particularly important for the company's sustainable operations since it has a big impact on the environment, and the revision of certain aspects such as energy efficiency and greenhouse gas emissions (Sustainability report, 2011 and SCRM interview).

Indeed nowadays the sustainability reports and the website contain the company's philosophy to have a positive impact on society and environment named "Only One Way of Doing Business" that is represented by three pillars:

- Good for You: improving people's well being promoting choice of consumption in line with the food pyramid and food safety standards;
- Good for the Planet: reducing the environmental impact of business activities such as packaging recycling, energy and water resource use;
- Good for the Communities: enabling the inclusion of all people, promoting food access programs, educational path and leveraging diversities.

3.4 The change at the top: the new CEO

The above-mentioned "three sections" approach seems to be very similar to the philosophy of Unilever Plc, that splits its sustainability reports "Sustainable Living Plan" and website into three sections too, named: "Improving Health and Well-Being" (people dimension), "Reducing Environmental Impact" (environmental dimension) and "Enhancing Livelihoods" (social dimension), acting as a benchmark for the whole organization.

This major change was introduced with the arrival of the new CEO, who was appointed in June of 2012 and settled in October, replacing the previous one who was resigned in November 2011 for disagreement with the family governance, in order to implement a global strategy, focusing on sales growth of pasta, sauces and ready meals businesses worldwide and the strengthening the bakery business.

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of 20 disclosed indicators (medium score) to A requiring sector supplements indicators with related explanation (maximum score).
From 2013, with the introduction of G4 guidelines, the systems changed into two levels: Core option, minimum essential disclosure, and Comprehensive option, additional relevant disclosure (GRI website, 2017).

He holds a bachelor in Philosophy at the University of Milan and worked for 28 years in Unilever Plc since 1984 when he was hired as personal care products sales trainee and in 1995 he has been upgraded at sales and marketing department.

In 2002 he was chairman of Bestfoods section in Brazil before returning in Europe, in 2005 where he became the CEO of Food division in France and from 2006 to 2009 CEO of Unilever France thanks to the strong results reached. From 2010 to 2011 he worked as Chief Customer Officer in New York.

His strong international experience coupled with his deep knowledge of customers' needs, markets and products make him suitable for the future challenges of the company (corporate website articles, 2012) as also a manager stated: "he has a seller-mindsets developed through the years working at Unilever…" (SCRM interview)

He recently stated: "I strongly believe we have the opportunity to design the future of our company around Good for You, Good for the Planet: raising the values of our core categories, making sustainable our geographical expansion and personalizing solutions for our customers and shoppers… We have the responsibility to do it in a unique way: respecting people, animals and the environment and, of course, leveraging diversities… I always say that the Group has three strategic pillars: its products, the consumers and its employees…" (sustainability report, 2016, pp. 10-11)

Corporate interviews to both raw materials and sustainability managers have confirmed this view: "He is the real maker of the GYGP policy… he brought more awareness throughout the company about sustainability culture, including it in the business vision and strategies by making it the only way of doing business because it is important to grow but only with a positive impact on the environment… (CER 3 and SCRM interviews).

Indeed, even though the corporation was already implementing sustainability actions, its disclosure resulted of poor quality.

This explained why an enhancement in the accountability system was necessary in order to better communicate externally the company's sustainable commitments and results (CER 2 interview).

Changes in the sustainability disclosure starting from the end of 2011, by adopting a more quantitative approach to address to the same information (see below), occurred because of a different role of the reporting activity, due to a comprehensive process that started involving all the company.

Indeed, although during first years sustainability was more a project assigned to specific functions, after 2012 it became systematized, in a cyclical process managed mainly by a formalized managerial structure, starting with data collection, continuing with discussion of

material topics with main stakeholders categories and concluding with internal as well as external communication activities, driven by the 2020 goals "the new CEO took sustainability to a higher level by including it in the top five company's priorities…" (SCRM interview).

These goals were set in the GYGP vision and outlined in the Lighthouse strategy as "the only way of doing business", becoming the targets that pushed organization to adopt more sustainable practices and changed the internal system as well as the reporting process "it is changed the way to face sustainability issues..." (SCRM interview).

For this purpose it has started a consolidation of corporate functions in order to support this process by "pooling all sustainable information existing inside the departments" (SCRM interview).

The establishment of an executive steering committee in 2011, which is dedicated to analyse sustainability projects as well as ensuring that these are consistent with the 2020 targets, meeting every two months and including relevant functions directors to discuss material themes and then reporting to the top management relevant results, worked towards this way.

Furthermore, the steering committee is in turn managed by one person for area by the "sustainability unit", which is in charge of the CSR communication and feedbacks on main indicators.

This approach is more bottom-up than top-down because of the steering committee's proposals of projects and objects and, if they are aligned with the targets, the subsequent approval by the Group Leadership Team that is the top management board (SCRM Interview).

As a consequence, KPIs selected on a targets basis has become the most important tool to monitor improvements in corporate sustainability areas and to communicate results in the latest sustainability reports as well as acting as stimulus for further improvements.

In particular the three most important soft gears that have helped to address to a CSR culture are (CER 2 Interview):

1) The internal communication system that improves with the entrance of the new Ceo in the governance;

2) The training and the incentives policy made at all hierarchical levels, from the top, through the middle, to the low, based on performance evaluation linked to main sustainable KPI;

3) The company's family values that instil the sustainability culture into all organization through the "passion of doing business".

Therefore, the CEO could be classified as a "sustainability champion" since he met four requirements mentioned in the second chapter according to Willard (2009):

1. Rebranding the company as sustainable in terms of strategies and culture, by creating and communicating the GYGP vision, which acts as stimulus "including the sustainability into the five priorities of the company" and improving corporate image.

2. Working with suppliers to improve working condition, by adopting sustainable farming projects with related results gathered in the Decalogue and sourcing only from certified suppliers.

3. Working with stakeholders to create sustainable innovation, by involving them in an annual stakeholders' panel to discuss sustainability themes and define objectives, projects and indicators of GYGP.

4. Align governance system to sustainability principles, by establishing an executive steering committee, managed by a sustainability unit, dedicated to examine sustainability topics and reporting the main results achieved to top management and stakeholders.

In conclusions, even if the components of the family ownership acted as "sustainable entrepreneurs" (Schaltegger, 2011) by inspiring the company with their values and principles, the CEO contribution has been important to communicate sustainability in a more efficient manner among corporate functions inside the organization and outside to stakeholders with a new format of disclosure, changing the way it was perceived through his marketing and CSR managerial expertise coupled and his international background.

3.5 The evolution of the environmental disclosure

In the corporate website and reporting the environmental section is actually named "Good for the Planet", which for the company means pursuing the following goals (Corporate website, 2017):

1. To propose only food in the lower part of the "environmental pyramid";

2. To improve the efficiency of production and logistic processes to reduce greenhouse gas emissions and water consumptions by 30%;

3. To develop projects to promote more efficient and sustainable farming practices for all main strategic supply chains "from the field to fork";

4. To purchase 100% of strategic raw materials responsibly.

Company's main actions to face these issues are respectively (Corporate Website, 2017):

1. To measure products' environmental impact throughout their entire life cycle and focusing on products at the base of the environmental pyramid because their

production require fewer resources from the earth in terms of emissions, water and land (94% of the products are in the lower part of the pyramid);

2. To adopt certified environmental management systems, to reduce depletion of resources and lower the impact of production activities on climate changes ($CO_2$ emissions reduced by 28% and water consumption decreased by 21% compared to 2010);

3. To collaborate with growers' association, supply chain farmers and scientific partners to identify more sustainable raw materials by providing farmers and ranchers with guidelines on cultivation practices that improve production while reducing environmental impact (the Sustainable Agriculture Code applied to 80% of total ingredients) and by committing to purchase by 2020 all the ingredients from supply chain that use responsible cultivation practices.

With regard to the corporate documentation, in the annual reports during 2008-2010 in the section "Environment and Employees", sustainability is addressed very shortly in half a page, regarding the environmental and human resources management systems in broad terms.

In 2011 the new section "Sustainability supply chain management and relations with the local territory" is included, showing a more detailed approach to supply chain issues such as raw materials and partnerships with suppliers.

From 2012 to 2014 with the macro section "Knowledge sharing and sustainability of the business", the company made a progress by pooling and disclosing more information about the subsections environmental and sustainable supply chain management, human capital health and safety and customers relations in more than two pages.

In 2015 the financial report changed the name of the previous macro section in "Good for You, Good for the Planet" to identify in a clearer manner the sustainable way of doing business pursued by the company.

However, even if sustainability is few disclosed in annual report, there is too little material to conduct a deep analysis, therefore, in this case study the object is the examination of sustainability reports' environmental section structure and content change across the eight years, from 2008 to 2016.

From 2008 to 2010, the environmental and the supply chain issues were distinguished into two different sections and named respectively as "Environment" and "Supply Chain", highlighted with green and brown colours respectively.

After a brief introduction, the environmental section is further divided into three subsections: "reducing ecological footprint" by analysing carbon and ecological footprint, "energy efficiency" through new saving projects based on renewable energy production and "management of water resources" by reducing the water consumption.

The supply section is further divided into two subsections: "supplier partnership" concerning integrated and supply chain model and main collaborations with suppliers, and "standards" as key elements of the management and control system of the procurement process.

In 2011 a macro section for both sustainable themes named as "Towards sustainable and integrated supply chain: from field to fork" has been introduced, in this version of transition the content was displayed through more pictures and charts, highlighting points concerning different topics such as "sustainability agricultural models" with examples of applied research, "raw materials" strategic and critical relevance, "production processes" impact such as water and energy consumption.

From 2008 to 2011 the indicators are disclosed in the appendix section at the end of the reports.

In 2012 the macro section took its name from the new company's approach to do business: "Good for the Planet" divided into Life Cycle Assessment, Raw Materials, Energy Efficiency, Water Resources and Waste sections.

Despite a lighter content compared to previous years, this report is important because it represented the changing year from viewing the sustainability no more as a project but as a process and the starting point for next sustainable reports.

In 2013, "Sustainable Life Cycle" has been chosen as the title of the macro section, indicating a similar approach to reporting of the previous one with the addition of new objectives as "zero deforestation" by using the palm oil, "animal welfare respect" by adopting more sustainable farming practices and showing on the right of the beginning page of every subsection environmental activity that what is good for the planet has also positive effects on people and communities by listing benefits.

Furthermore, an additional separated document regarding the change in key performance indicators per area over two years to make relevant comparisons, 2020 Goals and the reporting content, has been disclosed, showing a general improvement both in supply chain and environmental field.

From 2014 to 2015, the company decided to change again the name in "Good for the Planet", adopting a substantial different management approach from the other reports by depicting at the beginning 2020 objectives and general issue on the main sustainable supply chains (cocoa, palm oil…) and by dividing the macro section into two subsections "environment" and

"supply chain" in which are in further disclosed into three points referring to the Materiality of the products and processes (raw materials procurement, LCA), the Management Methods (certified environmental systems, agricultural practices), the Monitoring and Assessment.

Raw materials such as durum wheat, tomatoes and sugar are further divided on the basis of achieved results and goals, moreover, it is important to underline a more global focus on products, reached by numerous partnerships and projects throughout several countries, a map is disclosed to identify these countries as well.

Lastly a summarizing table with main section's KPIs are disclosed as part of the section and no more in the bottom on the appendix, allowing a comparison between the current and the previous year results.

Despite the reduced number of pages of these new reports, the selected information is more material compared to the previous reports.

In 2016 even if the name's section in the sustainability report remain the same of the last two years, the content is organized as an interview with the Chief Supply Chain Officer in which key points about environmental impacts, projects and general sustainable issues are discussed, on the other hand, the company decided to create four further reports for each of the four pillars (Customers, People, Planet and Communities) in order to deepen the main issues.

The Planet report starts with the global scenario of climate changes, agriculture production food processing and wasting, showing what are the activities that impact the most on Earth.

The section continues with the company's main actions, in words, and the achieved results, in numbers, to address the environmental impact of products, production processes and supply chain, indicating also the partners and stakeholders' collaborations and the awards won.

Moreover a focus on agriculture project is showed in a table summarizing main raw materials with related objectives, results and, in figures, the used quantities.

The document ends up by listing the 2020 objectives and all the main key performance indicators for raw materials, packaging, energy efficiency, greenhouse gas emissions, water consumption and waste recycling are published to allow a comparison with the previous year results in absolute and percentage terms through tables, bar and line graphs.


3.6 Analysis' results discussion

In order to perform the content analysis, four general categories have been generated according to the GRI G4 framework.

Each category entails specific elements that identify the measures taken in consideration to code the text in order to capture the most relevant meanings.

Relevant sentences have been therefore codified in these categories and further classified depending on the narrative or numerical nature of information and on the materiality of the effects.

Lastly some examples have been provided in order to make clear to the readers how sentences have been analysed and classified.

| Category | Element | Example |
|---|---|---|
| 1) Products and processes environmental impact | Ecological Footprint (measures the amount of land or sea biologically productive necessary to provide resources and to absorb the emissions). | "To measure the Ecological Footprint of its products throughout their life cycle from farm to fork, the company developed a system based on the Life Cycle Assessment method…" (sustainability report, 2011) |
| | Carbon Footprint (identifies greenhouse gas emissions in terms of effects on global warming on Earth to $CO_2$) | "In 2013, a decoupling of greenhouse gas emissions from production was confirmed: in fact even with a production increase of 4% greenhouse gas emissions, expressed in $CO_2$ equivalent, were reduced by 15% compared to 2010." (sustainability report, 2013) |
| | Water Footprint (quantifies the consumption and the methods of use of water resources) | "In 2012, plants consumed about 2.4 million cubic meters of water, saving more than 700.000 $m^3$ compared to 2008…" (sustainability report, 2012) |
| | Waste (packaging collection and recycling) | "Furthermore, company's plants also pay attention to waste management, with the aim of decreasing the total amount produced and increasing the percentage for recovery or recycling... In 2013, there was an average 16 kg of waste per ton of product; of which approximately 92% went for recovery/recycling operations." (sustainability report, 2013) |

| | | |
|---|---|---|
| 2) Environmental management system | Certifications (standards) | "More than 83% of the production takes place in plants that have an Integrated Safety and Environmental Management System (ISEM), certified by an independent body in accordance with the international standards OHSAS 18001 for safety and ISO 14001 for environment." (sustainability report, 2011) |
| | Compliance (legal obligations) | "Since January 1, 2012, throughout the European Union, Directive 1999/74/EC has been in force, which lays down minimum standards for the protection of laying hens, and which prohibits the use of "conventional" battery cages as a system for breeding poultry." (sustainability report, 2012) |
| 3) Supply chain | Raw materials (procurement and sustainability of raw materials) | "Some of these raw materials are considered strategic because of their importance in product recipes, whereas others may have critical elements from the point of view of sustainability…Aureo results from a careful selection that has generated a top quality variety, with features found only in special grains of American origin, suitable for being grown in Central and Southern Italy. Whilst Desert Durum wheat is grown in the desert area of the Southwest of the U.S.A. and requires a constant and significant use of water for irrigation, the Aureo variety is grown in Italy without irrigation." (sustainability report 2012) |
| | Suppliers (selection and partnership with main suppliers) | "The company agrees to buy palm oil only from suppliers who adhere to the Roundtable on Sustainable Palm Oil, a global association which, since 2004, requires its members to comply with certain standards of accountability." |

| | Farming methods (agricultural practices) | "The company has embarked on a path of collaboration of a "horizontal" type, with other players in the Italian agri-food system, giving birth to the project called Integrated Supply Chains so as to allow agricultural operators to develop sustainable crop rotation without production waste, ensuring commercial outlets for all crops." (sustainability report, 2012) |
|---|---|---|
| 4) Environmental projects and investments | Energy efficiency (heat and power energy consumptions and savings) | "The six-year-old Energy Saving Project (ESP) was born to improve efficiency in the management of production facilities and is now even more international… As for the increase in energy efficiency, the Pedrignano complex has been powered by a gas cogeneration plant since 2009 and the Pasta factory in Caserta by a tri-generation plant (which in addition to electric and thermal power also produces refrigerated water) since 2011." (sustainability report, 2012) |
| | Logistics (transport activities) | "The company devised a project in Italy in order to assess through KPIs the environmental impacts of rationalizing the logistics network, with a knock-on effect on transport efficiency... the result was a fall in greenhouse gas emissions of approximately 9% between 2008 and 2010." (sustainability report, 2010) |
| | Education | "The Company has invested in the development of educational tools including interactive games, sustainable menus, websites, city events…" (sustainability report, 2013) |

Table 1: Categories and elements used as framework to perform the content analysis.

The content analysis of sustainability reports has allowed to identify the most relevant differences occurred in the environmental section's structure and content across the years.

Graph 1 and 2 show, respectively in number of sentences and in percentage terms, the change from 2008 to 2016 in the different categories used to code the relevant information and their weight inside the text.

Generally speaking there is a general upward trend in information disclosure from 2013, nevertheless all categories don't evolve in the same manner.

Firstly, "Supply Chain" is the sustainable topic, that appears to be the most relevant among the four (55% in 2016) and increased over the years also due to the adoption of the GRI G4, appearing as the leading sustainable theme inside the section.

Secondly, despite "Products and processes impact" from 2011 has found less space in the disclosure than supply chain (29%), new indicators have been taken into consideration to measure the different footprints.

Lastly, environmental projects were discussed more in the first four years (with a peak of 24% in 2009) than in the last four years where only the main improvements are disclosed, whereas the environmental management system seemed to gain relevance into the section across the years due to new ISO certifications except for the last year.
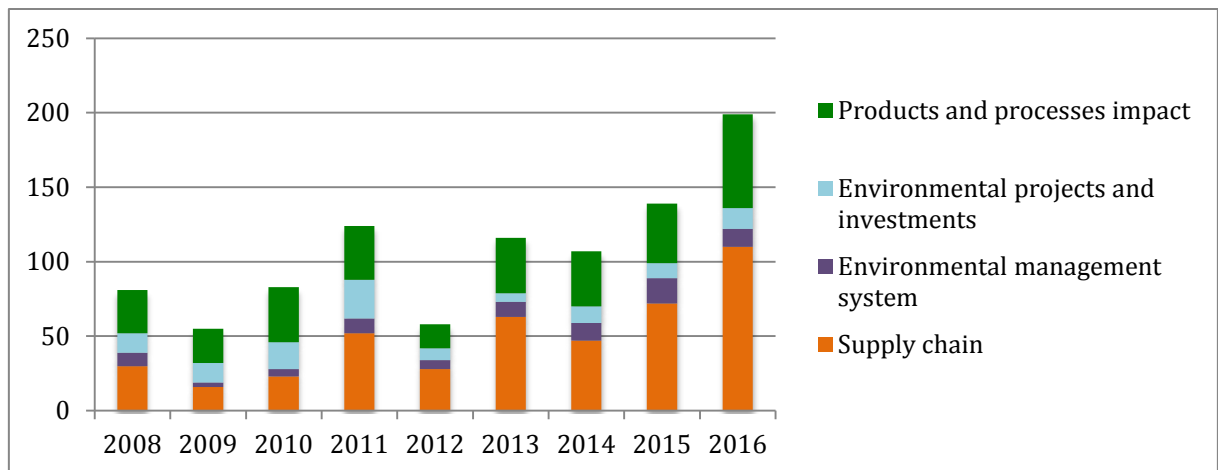


Graph 1: Categories' evolution of environmental section from 2008 to 2016 in absolute values.
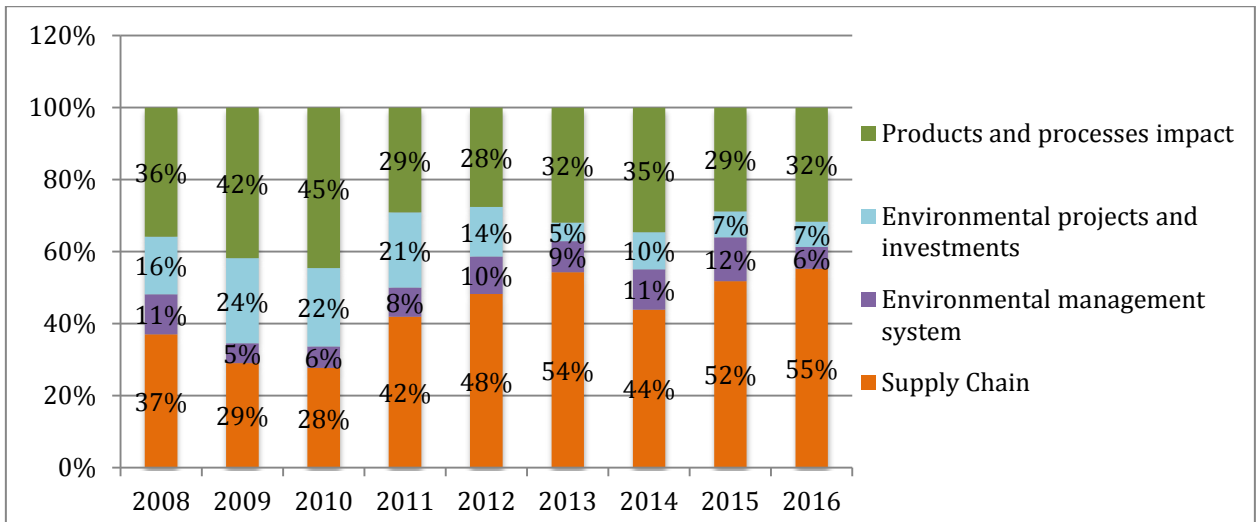
Graph 2: Categories' evolution of environmental section from 2008 to 2016 in percentage values.

Looking at the graph 3 and 4, which respectively show the evolution in the disclosed information type in sentences and in percentage terms, it can be assumed an increasing use of quantitative data in the environmental section.

This change occurred because of the introduction of new indicators for both environment and supply chain aspects and the leaning of the text by selecting only material information.

Moreover from 2013 numbers and figures have appeared to slightly overtake sentences and words (more than 50% of the information), represented mostly in tables and graphs to show changes in performance throughout the years and absolute variations.

This occurred because of the willingness to disclose additional sustainability KPIs following the new GRI-G4 guidelines in order to make them binding for all the corporate functions once the reports are published.

Indeed, with the new CEO, sustainability became one of the five main company's goals and thus KPI were not only an important communication tool for external users but also a business lever inside the organization to assess results achieved and to monitor if relevant changes took place (SCRM interview).
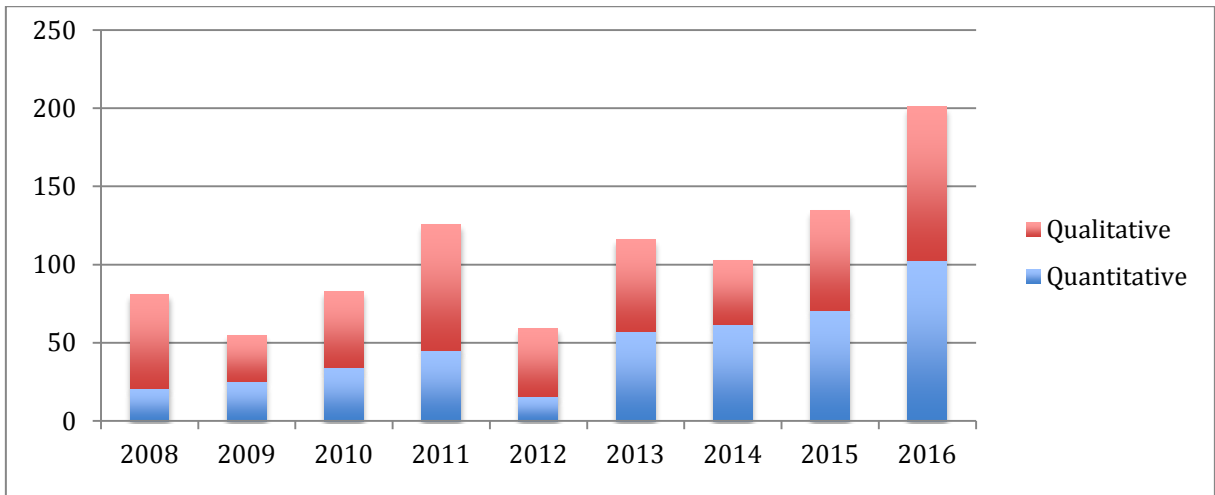
Graph 3: Proportion of the type of disclosed information of the environmental section from 2008 to 2016 in absolute values.
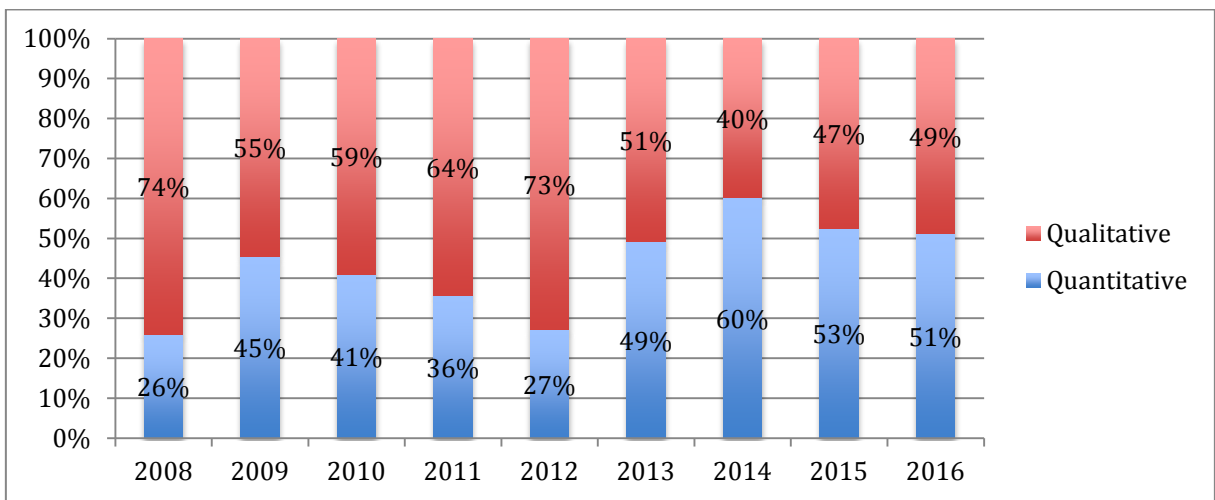


Graph 4: Proportion of the type of disclosed information of the environmental section from 2008 to 2016 in percentage values.

In conclusion the current study has analysed how the CSR internal management processes and reporting evolved in the recent life of the company and especially around the years in which the new CEO was appointed at the top of the company, affecting CSR disclosure through its influence and leadership style.

In particular, the aim of this analysis is to show how the multinational company engages in corporate social responsibility practices and how the new chief executive officer has changed the way sustainability was perceived inside and outside the organization.

The major contribution of this study is therefore the inside-out and outside-in perspective approach, which allows to more comprehensively analyse corporate governance, internal management system and reporting processes related to sustainability.

Moreover, by performing a longitudinal analysis throughout the years, it has been possible to note relevant changes in the external disclosure patterns.

This research also points to the relevance of analysing external disclosure jointly with internal issues and processes in order to gain a fuller picture and understanding of the patterns and driving forces in company sustainability-related reporting processes.

3.7 Main limitations and further research

Although this study provides additional evidence on the role that the appointment of a "sustainability champions" played in defining the sustainability path of the investigated company is clear that the results emerging from this study cannot be generalizable. Therefore further analysis may adopt a wider perspective addressing companies in an entire industry or using other criteria in order to increase the number of firms analysed and to adopt a more quantitative approach with the use of statistics techniques to identify relevant correlations and test hypotheses and to better test the relationship between the role of sustainability champions and the evolution of disclosure patterns.

Moreover, content analysis suffers of the drawback to be an extremely subjective methodology in the creation of the category and in the text coding as well as to be a time consuming technique; as a consequence improvements could be achieved by endowing of two or more coders to assure more consistency and accuracy.

Furthermore, key stakeholders involved in the organization should be interviewed in order to collect valuable insights on sustainable practices also from external sources.

In conclusion, even if this case study is a good proxy to show the impact of sustainability champion on the company sustainable disclosure by analysing specifically its "green" corporate practices, further researches are required to complete it with more information regarding not only the environmental but also the social dimension of the company, which has not been discussed in this work, to better understand the whole sustainable policy.

## CONCLUSIONS

Through this thesis it has been investigated the role a sustainable leader played in an organization sustainability disclosure and its importance in the CSR implementation practices. Real case study analysis of a multinational company represents a valuable method to investigate how the CSR disclosure changes after the entrance of the new CEO through examination of the internal management system as well as the external reporting of sustainability.

In particular, according to this study, it has been noted that the reporting process became more connected with the management system after the arrival of a sustainability champion.

The CEO, who gained a strong managerial expertise by working in the marketing and sales department of a multinational corporation deeply engaged in communicating sustainability values, appears to have changed sustainability perception inside the company according to interviewed corporate managers.

Indeed before 2011, sustainability was more a project assigned to specific functions and the company was not able to produce an adequate level of sustainable disclosure to be accountable to external stakeholders despite its continuous commitment in CSR actions.

From 2012, sustainability started to become a process where sustainable information were pooled and consolidated into a managerial structure, thereby shared by all corporate departments.

Furthermore, the process was driven by the new vision of the "only way of doing business: GYGP", which set sustainable targets for 2020 in the top priorities of the company's strategy.

As a consequence, KPI to monitor sustainability performance trend were continuously been added across these years and are reviewed annually by a steering committee established to identify sustainability strategies and actions as well as creating operating groups to manage specific projects that are then analysed and approved.

Following this path, sustainability disclosure became more material, by adopting a more quantitative approach including more indicators, graphs and tables that are important to externally communicate the company's commitment with effective results as well as for internal performance measurement systems.

On the other hand, despite this work could be used as a basis for further research, this is only one of the steps taken toward broader studies of the sustainability leadership field that have to be conducted, providing organizations and academics with new insights.

Moreover, sustainable development is still an evolving theme and during last years we have assisted to a change in the CSR drivers from an external regulatory pressure to incentivize

organizations to adopt more sustainable strategies to an increasing internal sensibility of people toward more "green" practices.

Generally speaking, entrepreneurs and managers are becoming more conscious of the real value that running a sustainable firm can add to society while generating economic benefits such as costs reduction and improved corporate image.

Stakeholders are also more aware of the everyday business activities influencing their lives and thus requiring more transparency through continuous updated information as well as taking actions to face important issues such as pollution or social welfare.

Therefore organizations are adopting production processes that impact the least on external environment as waste reduction system, projects of energy and water savings and decrease of gas emissions.

However corporate sustainability needs to be implemented by function managers across all the corporate departments and not only communicated by the top management, this could be achieved for example by involving employees in the CSR processes, who could then become more motivated.

Although CSR will remain on a voluntary basis for the coming years, significant efforts can be made by country's governments, who will not have only to set new agreements and regulations in order to address these issues as mandatory disclosures, but also to incentivize organizations toward a more sustainable future.

Future reliance on widespread standards and guidelines will be seen as a necessary but not sufficient condition to pursue sustainable policies, whereas innovation, achievable by creating partnerships with other institutions as scientific community, universities, governmental agencies and other enterprises, will continue to play a key role in solving social and environmental problems.

In conclusion, even if the future direction is characterized by uncertainty, specific educational and career paths have to be put in place for future generations of sustainable leaders in order to allow them empowering their skills and capabilities, specialising in one or more particular sustainable areas as climate change or human rights and thus improving society's living conditions.

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