LUISS

Dipartimento
di Impresa e Management

Cattedra di Managerial Decision Making

Corporate Social Responsibility Theories, Strategies and Applications

Prof. Marengo Luigi

RELATORE

Prof. Di Vaio Gianfranco

CORRELATORE

Cavallaro Paolo - 703961

CANDIDATO

Anno Accademico 2019/2020

Summary

Introduction

The concept of Corporate social responsibility is frequently used nowadays, due to the increasing attention that society is putting on the behavior of companies.
Climate change, intensive use of natural resources, the extinction of several animal species, poverty and migrations are some of the big environmental and social problems we are facing today that we are trying to solve. To address these, and other issues, while generating technological and economic development, a more sustainable approach becomes necessary, and the commitment should include all the social actors, like international organizations, governments, corporations and citizens.
In this first chapter the focus will be put on what is Corporate Social Responsibility, how the concept has been developed, and what are the main theories and critiques about how a Company can do to combine economic progress, social justice and environmental preservation. These elements represent the Corporate social responsibility, by which a company can create value not only for itself, but can share it with its stakeholders, while minimizing its impact on the planet.
Since the Roman age, entitles were formed to preserve people in needs, and this can be considered as a primitive form of social responsibility. The historical events alternated periods with intensive use of labor force and resources, to periods with big reforms to preserve the environment and the rights of the workers.
The debate about the importance of the social aspect of the company has been analyzed through the years by the academics, to understand the real impacts of the socially responsible practices, and to generate valid approaches to implement them in a strategic manner.
In this delicate historical period, unexpected and unpredictable, the social scope of companies has gained a renewed importance. It is considered not tolerable anymore the huge amount of profit generated by certain companies, which ignore their consequences on the environment in which they operate.
An increasing number of companies are switching to strategies that include corporate social responsibility to face the pressure they receive about social, environmental and economical issues.

1. CSR: history, definitions and critiques

Corporate Social Responsibility is composed by three words. The term “corporate” identifies profit-making organizations; “social” classifies them as part of the society they function in, so they are not isolated; the last word, “responsibility”, is the awareness that the company has about being interconnected with the society they function in, and its role is to maintain a balance between what it gets from the external environment and what it gives back.

This definition can be synthetized as the responsibility that a company has in society, pursuing goals not only related to profit maximization, but addressing the stakeholders needs and being responsible for its actions (Werther W.B. & Chandler D., 2010)

The widely agreed goal of Corporate social responsibility is to combine economic progress, social justice and environmental preservation, generating value for itself, and for other actors that interacts with the company, the stakeholders. It means that a company has to take care of its employees, while being compliant with laws and regulations, aiming for a positive footprint and using ethical business practices to benefit the society at large.

But the meaning of Corporate Social Responsibility has been intensively discussed through the years, and it’s not straightforward to find a widely accepted definition. The reason is that it’s not easy to map socially responsible behaviors: they can vary due to different places, actors and time (Campbell, 2007). CSR interpretation can vary also based on the culture, especially comparing individualistic and collectivistic cultures, which have different needs, priorities and agendas of CSR (Werther W.B. & Chandler D., 2010). The specific issues and challenges differ indeed from company to company, and there could be different ways to address them.

The misunderstanding and the criticism about corporate social responsibility also comes from the lack of a widely agreed definition, so people are often debating about different things.

1.1.1. Shareholder Model vs Stakeholder Model

The main discussion about Corporate social Responsibility is based on two opposed models: the Shareholder model and the Stakeholder model.

Supporting the shareholder model, the Nobel prize Friedman defined Corporate Social Responsibility in a neoclassical view, marking a clear distinction between the company's core activities and the value creation for society: "social matters are not the concern of business people and these problems should be resolved by the unfettered workings of the free market system" (Friedman M., 1970). He stated that the responsibility of the business is only to use its resource for the profit maximization. Friedman argued that the only purpose of engaging in CSR activities is to increase manager's popularity, while shareholders are suffering loss of profits. This is considered as an Agency problem, where the managers act in their self-interest instead of the interest of the company for which they work.

Shareholders demands the boards of directors and corporate officers to administrate the company in their interests, maximizing the profits. But when money is given away for charity or other CSR initiatives, there is an agency problem. Spending resources on CSR is seen as an opportunity cost, as these moneys could have been invested in another profit generation activity.

The ultimate goal of the firm is to increase profits while remaining within the boundaries of laws and ethical customs, therefore a firm shouldn't engage in CSR practices.

Friedman is not arguing against the charitable acts or the activities to reduce social issues, but he is arguing that the business in not the appropriate vehicle to do it.

The idea is that every dollar used to advance societal goals reduce investors return, so Friedman considers societal and economic progress as diametrically opposed to each other.

For him is not direct responsibility of the Company to be involved in advancing societal value: this task should be delegated to investors and employees. Companies should only think about the salary of their employees, because it's up to them to think about their own health. We see an idea that the interaction between companies and society is zero-sum, so there is one winner and one loser, and the interests cannot be balanced.

Anyway, to better understand this view, we should consider the context in which it was formulated. The time frame during which Friedman developed this statement, the golden sixties, was a period of seemingly endless economic growth, and in which the potential negative impact of firms on society was still not measured and unknown. It is easy to understand that if the actions apparently don't have negative impacts, the only consequence of doing business was to make profits, which had to be maximized.

Different interpretation about CSR have been given to support the Stakeholders Model.
In line with this concept, Hopkins defines CSR as the concern that companies have in treating the internal and external stakeholders in a socially acceptable way, so ethically or in responsible manner. These actions should aim to create higher standards of living for internal and external stakeholders, while preserving profitability of the corporation (Hopkins M., 2007). For Hopkins, CSR doesn't have to be confused with philanthropy.

Hopkins's definition derives from the the studies of Davis and Freeman.
For Davis CSR is the response of a firm to issues outside its core activities, using the decision making process to influence not only their financial performance, but also to add value to the external social system. He also defines as socially responsible a firm which is not only merely complying with the minimum imposed by the law, because that's a standard behavior, but the corporate social responsibility starts where the law ends (Davis K., 1973). From this point of view CSR is part of firm's activities, and not an external component that has to be used only when it's convenient.

On the same line there is the view of CSR is by R.Edward Freeman (1994), which stakeholder theory represents a way to satisfy a broad variety of stakeholders who can influence the outcome of the firm. Therefore, is necessary to apply strategies in favor of these stakeholders in parallel to the core activities of the companies, which maximize the value only for managers and stockholders. With Freeman, the role of CSR is not only to address stakeholder's issues, but it's a resource that companies can use to generate more profits

Corporate social responsibility has also been defined also as a way that companies use to self-regulate, in order to achieve a positive influence on the public, the economy and the environment. (Sheehy B., 2015). This was a valid concept when clear government regulations weren't enforced yet, so companies had to arrange CSR practices themselves using the principles standard.

New definitions have been added in the years, defining clear guidelines for the CSR.
In the Green Paper the European council defines the corporate social responsibility as "a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. This responsibility is expressed towards employees and more generally towards the stakeholders affected by business and which in turn can influence its success" (Commission of the European Communities, 2001). With this statement, the European Council set the guidelines for the application of CSR practices in Europe, With the new millennium, it became more clear for companies the importance of acting in a responsible way. The drivers that pushed in this direction are the growing concerns from the public, the relevance that social responsibility has in investment decisions, the increasing concern about the environment and the transparency requested in the new digitalized era.

1.1.2. CSR and Philanthropy

The term Corporate Social responsibility has been often used as a synonym of Philanthropy, considering the common overlap of the practices. As indicated with Carroll's pyramid, Philanthropy is only part of the activities included in the Corporate social responsibility, therefore the concepts could be intended as the same thing.
The term Philanthropy is defined as the "practice of helping people in need", and applied to corporations, is the "desire of profit making organizations to help people in need, or promote welfare of people in need" (Dictionaries, s.d.) . Philanthropy is the act of making charitable donations of financial contribution, time and resources by which companies stive to make an effort to drive social change. With philanthropy, companies try to find a solution to social issues, and contribute to improve conditions of the affected group.

But philanthropy is often intended as a separated activity from the core of the company, and often it's not even related to it, and such cases constitute for Hopkins a cost that should be abandoned (Hopkins M., 2007). In these cases, it represents a cost that won't generate a sustainable development for the company. He argues that philanthropy addresses only one problem of one stakeholder per time, while a company should engage in CSR practices to satisfy a broader variety of stakeholders. In some cases, companies also tend to focus on issues that should be addressed by governments. Philanthropic activities that do not contribute to increase profits should be avoided.
Philanthropy is only one part of the broader concept of CSR. Carroll (2008) explains that the nature of philanthropy is to put effort in solving a specific issue, and this is advantaging only one stakeholder per time, while CSR is a broader concept that balances the interest of multiple parts.

Philanthropy alone shouldn't be intended as the corporate social responsibility strategy of the company, in order to contribute to the profit generation in the long term. It should be included in the way a company carries out its business. When philanthropic activities are consistent with the strategy of the firm, and addressed with multiple actions, they could represent a way to increase the value generated. Therefore, philanthropy is an activity that should be considered only as a part of CSR activities, and not as an "after profit activity" (Kang Y. & Wood D.J., 1995).
In conclusion, companies should abandon philanthropic activities that are outside their CSR framework, and engage in social investments only when the effects can be measurable and contribute to the profit generation.
When companies engage in philanthropic donation, they eventually end up wasting shareholders' money, which is not sustainable in the long run, and shareholders will lose interest (Hopkins M., 2007)

1.2. The history of CSR

1.2.1. CSR background

To find first elements of the social component in the corporates, Chaffe (Chaffee E.C., 2017) goes back to the Roman age, where the law started to distinguish the groups from the individuals who composes them. Often these groups were formed for a social purpose, like asylums, homes for the poor, hospitals. And it is also from Latin that the term Corporation derives: the term Corpus meant body of people.

This idea of corporation reached the middle age, where it was largely used by English law to govern universities, municipalities and religious institutions (Reuven S. , 2005). Due to these conceptions, corporations started to grow not to achieve business purposes, but for social reasons. And this was the reasons why during the sixteenth and seventeenth century corporations were formed to colonize the new lands of Americas. Some corporations were playing a social role even when formed to achieve business scopes (Palmiter A.R., 2009).

The turning point for corporation's history was the first industrial revolution, when corporations started to become profit seeking entities, which were centralizing labor force in the factories, and the scope of the work was the mass production. In the early '800 in the United States there is an increasing need of specific rules and laws to govern the business activities. There is a distinction for the first time between profit and non-profit corporations (Schmidt E., 2011). The corporate law was instituted in Great Britain and in the new lands of the United States.
It is during this period that businesses started to put the productivity of their workers as priority, often overcoming some socially acceptable limits. Great Britain factory system started to attract criticism about the intensive use of the labor force, which included also children. The same structure was followed by the United states.

With the Victorian philosophy of the late '800, a welfare movement started to grow, and there was "*an uneven mixture of humanitarianism, philanthropy and business acumen"* (Carroll A.B., 2008). These welfare actions were a result of a more paternalistic approach, which aimed to improve the

working condition of the working class, by instituting "*hospital clinics, bathhouses, lunch-rooms, profit sharing, recreational facilities, and other such practices"* (Wren D., 2005).
As stated by Muirhead, the period between the 1870 and the 1920 should be considered as a "*prelegalization period of social contribution*" (Muirhead S.A. , 1999)
But behind these initiatives, at the same time started the debate about whether the welfare practice of businesses aimed only to achieve a social purpose, improving the working conditions, or were intended as a selfish action to have in exchange more satisfied workers that could have been more productive at work. The debate about social responsibility started to include also negative consideration about the use of resources that the companies were retaining from the shareholders without their approvals to invest in such initiatives.
In the shareholders-stakeholders debate, the positive impacts of social and philanthropic initiatives promoted by companies were noted as well, showing a real responsiveness of society to the welfare question. Heald brings the example of Macy's in the USA which contributed to open an orphan asylum, and promoted charity donations, which was perceived positively by the community (Heald M., 1970)

With the beginning of the twentieth century there has been a new wave of urbanization and industrialization. Corporations started to become larger, management was focusing on profit maximization, the ruling class was gaining richness and a sense of limitless power, and as a consequence the moral boundaries were losing importance. Monopolies and trusts were formed, and often the leaders were putting aside the interests of the stakeholders, using unfair practices to increase production and prices of the products. This irresponsible climate ended with the explosion of the great depression, which caused massive unemployment and a new focus on society (Eberstadt N., 1973)
In this new phase emerged the "trusteeship management", by which managers had to consider again the balance between the shareholders wealth and the claims from consumers, employees and community. Managers became the trustee for the various groups of stakeholders, and several actions were taken in response to them, like the diffusion of stock ownership. Simultaneously a strong action of labor unions was fighting to preserve and improve the working conditions of their members. During years '20 and '30 became clear for business leaders the need to balance the companies activities not only to maximize the profits, but also to engage in good practices requested to establish trust in the clients, labor force and the surrounding community. The community

movements pushed in this direction and helped to shape the business view of the philanthropy, establishing a precursor of CSR. Business executives had to interact more often with social workers, and this more open debate permitted them to understand what constituted a social problem. Workers wanted their education and training to be recognized and valued. (Heald M., 1970).
In the years ’40 companies engaged in social responsibility activities to support governments during the WWII, providing them with supplies. In this way, from the years ’30, and in particular after the WWII, corporations were seen as institutions with social obligations to fulfill.

1.2.2. Modern history of CSR

Even if in the most recent years the sustainability issue has gained more and more attention in the public debate, the topic started to be discussed in the years 30’ (Latapì Agudelo, 2019), when the role of the firms and the responsibilities of the executives started to be included in the literature. During those years there was a first attention towards the role of the firms in the society, and how a firm is positively influencing or harming the surrounding environment. The interest in responsible practices was manifested also by Fortune, which polled business executives asking them about social incentives and how they were taking into account the consequences of their actions, not only considering the impacts on the revenues. By their answers it’s evident how the concepts of trusteeship and stewardship was a growing phenomenon. (Fortune, Mar. 1946)
Anyway, it’s necessary to underline that there is still absence of a well-defined concept of Corporate Social responsibility. Even though the social concerns of the firms have been discussed before, the first studies on the CSR began after the II World War. Corporate Social Responsibility has been studied mainly by academics from the United states, therefore the concept evolved with a western approach.

The beginning of the 20th century and the post war years have been divided by Murphy into four main periods: the period up to the 1950 was classified as the “Philanthropic Era”, in which the social action of companies was mainly based on charity donation. Then, the years between 1953 and 1967 were identified as the “Awareness Era” in which companies realized to be part of the communities, and consequently they had responsibility towards them (Murphy P.E., 1978). This awareness started to be developed after the second world war, when the world was stabilizing.

It is indeed in 1953 that a first clear definition of CSR was formed, when Bowen (1953), defined as the father of the CSR and credited as the first to use this term, was the first to create an academic work that focused on this topic. He states that corporations have a big concentration of power, therefore their actions have a tangible impact on society. Considering this, corporation's decision-making process had to be changed, taking into account the consequences of the actions, and finding ways to enhance the social welfare. For him, the businessmen's decisions have a direct impact on the company's stakeholders, therefore he developed the idea of the "obligations of businessman", which is to improve the decision making process in order to generate a positive outcome, desired by the various actors of society to improve their quality of life (Bowen H., 1953). The need of company to reshape their activities around the CSR values became necessary in those years, due to the growing social movements of that time.

A similar idea of CSR was well defined by Davis and McGuire, which stated the necessity for business to analyze the results of their action not only in the mere sphere of the economic, legal and technical requirements of the firm, but to include how the firm responds to the issues that affects society improving the social system. For Davis "the social responsibility of the businessman need to be commensurate with their social power", so the more power the businessmen have over the society, the more responsibility they have toward the society with their actions, and "the avoidance of social responsibility leads to gradual erosion of social power" (Davis K., 1960).

So if a companiy has the power, but is not responsible for the actions it make to the society they function in, society will gradually reduce the dependence on that business, and slowly the power of the businessmen will be eroded. Also, he states that the role of companies is not only to do the minimum required by the law, but to act as a good citizen would do.

The period between the years 1968 and 1973 has been identified as the "Issue Era", when the social actions of companies were focusing on a specific topic that was representing an issue for the society. Social main concerns were mainly related to rapid populations growth, pollution, use of resources, environment and labor rights (Carroll A.B., 1999). The social movements of the year '60 have been shaping the modern society, and the way companies reacted to social issues.

In 1971 Jonson was claiming that a social responsible firm had to balance a multiplicity of interests, taking into account not only the profits but also employees, suppliers, dealers and local communities

(Johnson H.L., 1971). For the first time there was a definition of CSR that was not considering society as a general wide entity, but were specified the elements that constitute it.

In the same year the committee for Economic Development (1971) came up with the conclusion that a business can function if it achieves a public consent, and if its basic purpose represents a value added for society. So, a business can function in society if the public enables it. This view is in line with the legitimacy theory, by which a company need the support from society to operate.
In the same document, the committee classified three areas of social responsibility of the company, reassumed in three concentric circles:

- The inner circle is related to the economic activity of the company, focusing on the efficiency of the processes to ensure profit generation. This is the base for the survival of the company. Profit is the top priority, as well as products and jobs.
- The intermediate circle accounts the responsibility to exercise the economic functions while being aware of the changes in social values and priorities, like fair treatment of employees and environmental concerns. While making business a firm have to fairly treat its employees, and has to minimize its impact on the environment.
- The outer circle outlines the responsibilities that business should assume to improve the social environment. With this last circle the role of the company is not only to respect the surrounding community, but has to be actively involved in improving its condition.

In 1972 Manne and Wallich (Manne H. & Wallich H., 1972) include the voluntarism concept in CSR, stating that corporate expenditures in sustainability should be voluntary rather than a response to social expectations. They also set the guidelines to address the social issues and implement a CSR strategy. The three fundamental steps are:

- Defining the objective, making a commitment to fulfill a certain objective;
- Decision whether to pursue the given objective, if in line with the strategy of the company;
- Financing of these objective, if the resources involved are acceptable.

Preston and Post (1975) defined boundaries to the social responsibility that a company can have: the managerial responsibility is not unlimited, and cannot account all the social issues, but there is the need to specify specific involvement areas. It is not possible to do everything that society is asking. In 1975 Sethi makes a dinstiction between the social obligation and the social responsibility:

the first is to act in response to market forces and legal constraint, the latter is about what a company can do above and beyond these boundaries, generating new value for the society.
The 70s were also the years in which the term Corporate Social Performance (CSP) started to be used, being the measurable outcome of the corporate social responsibility activities.

Finally, the "Responsiveness Era" after 1974, when companies started to take serous CSR actions to solve these issues. These actions were mainly interesting boards of directors, corporate ethics and social performance disclosures (Murphy P.E., 1978).
Ells and Walton (1974) state that with corporate social responsibility the business's role is not only to be aware of social issues, but the main objective is to support and improve the "social order".

The first to talk about the consequences of the business action is Fitch (1976), which defined CSR as the attempt companies have to make to solve the problems caused by their actions.
To engage in CSR activities, for Carroll is necessary to have an understanding of the issues the company is addressing, based on the stakeholders affected, and must have a clear philosophy to respond to the issues (Carroll A.B., 1979).Carrol also defined the four elements that constitute the Corporate Social Responsibility: economic, legal, ethical and philanthropical (Carroll A.B., 1983)

1.2.3. CSR today

The 90s and 2000s represent the beginning of the digital era, and with it a new awareness on societal issues started to emerge, like child labor, human rights violation and terrorism.
In the past, changes took years to be implemented, but with the digital era the social concerns have a much faster way to spread and, at the same speed, companies are expected to respond to the society's expectations.
Governments and organizations started to promote activities that include also citizens to fight together the social and environmental issues affecting our era. From the just ended decade, the environmental sustainability has gained a fundamental position in the CSR debate, with global warming and intensive use of natural resources.

Due to a strong pressure put on the European parlment, in March 2000 the European council made a clear invite with the Green Paper to stimulate companies to enhance their social responsibility

towards best practices for lifelong learning, wok organization, equal opportunities, social inclusion and sustainable development (Commission of the European Communities, 2001).
In this way the European council clearly stated the importance of Companies to embrace the mission to enhance the standards of the social development, environmental protection and open governance, to reconcile the interests of the stakeholders.
The Corporate Social Responsibility concept have been designed not only for big companies, but also for all the other types of enterprises, public, private, SMEs and co-operatives. Also the shareholders expectations have changed, and also them are much more interested on the social responsibility of the companies, representing an indicator for a good future performance.

Corporate Social Responsibility in the last years has also been intended as the integration of environmental, social and governance factors into the investment strategy of the company. These elements, named with the acronym of ESG, cover a broad variety of issues that companies should address.
The name ESG has been introduced by the United Nations in 2005, which discussed the importance to integrate such principles into the strategy of companies to achieve better financial results and to generate a positive outcome for society (United Nations, 2005). ESG investments can be synthetized as the way companies respond to climate change, treat their workers, build trust and foster innovation and manage their supply chains.

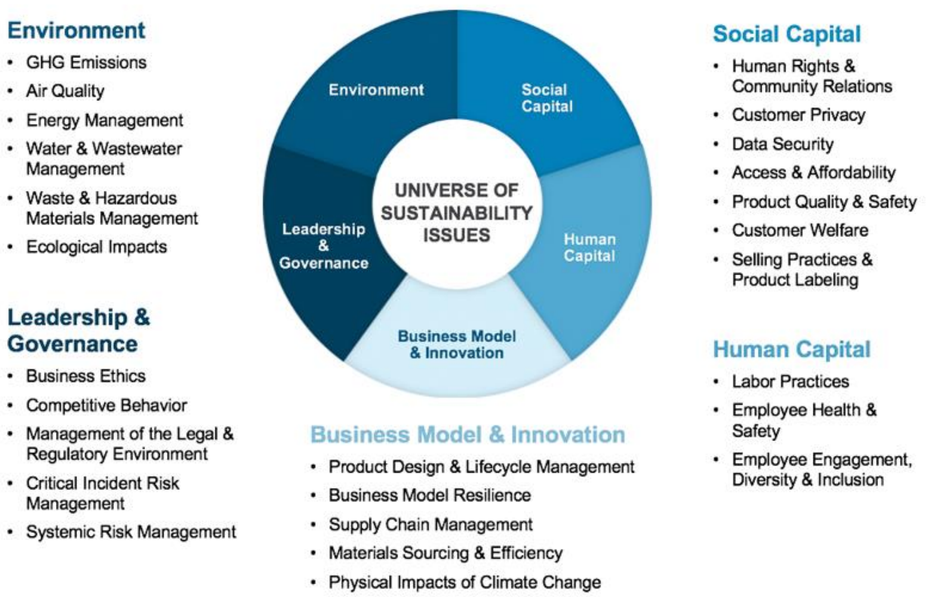


Figure 1: Sustainability issues (Sustainability Accounting Standard Board, 2018)

At the same time, such factors could be considered as beneficial for the financial valuation of a company (UNEP Finance Initiative, 2005). And all these investments are producing more returns on the stock markets: it has been demonstrated that investing in a firm with high ESG investments gives higher returns (Eccles, Ioannou, & Gerafeim, 2011). This result is widely considered when creating an investment portfolio, and some funds are entirely placing their investments on firms with high ESG capabilities (Kell, 2018).

Evolution of $1 invested in the stock market in value-weighted portfolios

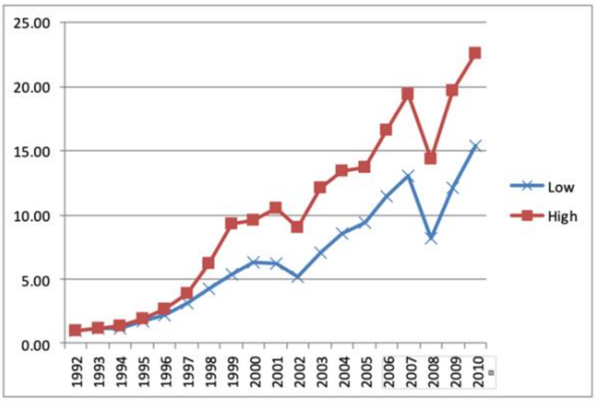


Figure 2: The Impact of Corporate Sustainability on Organizational Processes and Performance (Eccles, Ioannou, & Gerafeim, 2011)

This consideration for investors in more significant nowadays, when the climate change is becoming a tangible issue. Companies have to embrace de-carbonization practices if they want to ensure their longevity. Therefore, against the old conception of shareholders that only cares about returns, the role of investors is becoming fundamental to shape the behaviors of companies towards socially responsible practices.

But with the development of CSR strategies, the public have often manifested valid critiques on the topic, considering it overrated and contradictory. In fact, CSR practices are often misused, and the only purpose of these strategy is to clean the company image from the back practices, with the so-called Greenwashing. It has become necessary the development of standardized approaches and well-defined ways to measure performances. Engaging in CSR activities is also seen as a new extra cost that will affects companies' operations, reducing the quality of the products and affecting their price.

To adopt a standardized CSR approach and to measure the performance, the United Nations have applied a guideline in 2000, the Millennium development goals, applied until 2015. Starting from that year, the United Nations have developed a new framework, the United Nations Sustainable Development Goals. This framework started to be used in 2015, when counties adopted a set of goals to “end poverty, protect the planet and ensure prosperity for all”. With the 17 goals defined by the framework, companies can clearly design their strategy touching the most relevant UN goals.

But the problem with standardized frameworks is that not all the companies act in the same way, or are subjected to the same conditions. Therefore, it could be considered too difficult to generalize some standards. Sometimes managers tend also to rely too much on them, assuming a blind approach believing that the standards will guide their actions. But in some circumstances such frameworks cannot simply be followed to be effective, and the role of the management is necessary in such cases to contextualize the framework (Rasche A. & Waddock S., 2017)

1.3. Carrol's Pyramid of CSR

Carrol is one of the main contributors to the study of CSR, and "the strength of its influence can be best judged by its longevity" (Clarkson M., 1995).
He analyzed and provided a structure for the Corporate Social Responsibility and the Corporate Social Performance, with his three-dimensional model (Carroll A.B., A Three-Dimensional Conceptual Model of Corporate Performance, 1979)
In the first dimension he identifies the four elements that constitute the Corporate Social Repsonsibility, in the second he talks about managerial philosophies and modes of social responsiveness, and in the third he shows how a firm should react to the social issues.

To conceptualize Corporate Social Responsibility, he identifies 4 elements, which constitute the Carrol's Pyramid of CSR, which embrace the spectrum of expectations that the society has from the business. To fulfill all responsibility, a firm has to be profitable, has to respect the boundaries of the law, behave in an ethical way and be a good corporate citizen.
The first two pillars, which constitutes the bottom part oof the pyramid, represents the basic activities of a firm, while the the two pillars on the top constitute a CSR:

- Economic: for a business the most important goal is to make profits, and it is the main incentive for entrepreneurship. Generating returns on investments is the fundamental element for the survival of the company. Without this foundation, the other elements of the pyramid cannot be applied
- Legal: complying with the laws constitutes the second responsibility. "Legal responsibilities reflect a view of codified ethics as they include basic notions of fair operations as established by lawmakers"
- Ethical: this element consists in not harming the stakeholders and the environment the firm operates in. The principle of ethic is included in the first two pillars, but there are also some non-written elements that a company should consider when decisions are taken. Ethical principles are underlying in the law, and this is why it is always controversial to define them and accepts certain ethical principles. A guideline is given by the three types of behavior that a company can have are: Immoral, amoral and moral.

- Immoral: actions and decisions that suggest an active opposition to what is deemed right or ethical
- Amoral: not sensitive to the fact that actions and decisions may have a negative effect on others
- Moral: conforming to high levels of professional conduct and exemplify leadership on it

- Philanthropical: this is the highest level of the pyramid, and it includes the behavior that a company can proactively engage to generate benefits for the society. It includes the practices taken by firms to respond to society's expectations to be good corporate citizens. These are actions to promote the human welfare or goodwill. While the first three elements are required and expected, the philanthropic element is desired and discretionary.

The role of philanthropy has been compared in two aspects. Internally it has been compared to the other elements of the CSR pyramid, and externally with other notions of CSR.

Inside the pyramid there is the observation about the role of philanthropy as a category itself: a responsibility is a matter that should be normed, a sort of obligation to act in a certain manner, which is opposed to the discretional nature of philanthropy. Carroll himself recognized this difference, therefore he positions this element of the top of the pyramid, as the one with less importance.

Externally, philanthropy is considered a defining component of CSR. The present-day thinking of CSR is that firms have to do what is beyond the basic respect of the first three components of the pyramid, economic, legal and ethical, and whatever is outside this minimum is intended as philanthropy. Philanthropy sets a clear difference between the neoclassical economic position and the new notion of corporate citizenship, in which corporate giving is essential.

Carrol considers a firm socially responsible when it fulfills the four elements of the pyramid, economic, legal, ethical and philanthropic all together, not only the bottom part of it.

This representation of simultaneity and hierarchy gave popularity to this pyramid: the simultaneity reconciles the profit-making reason of the firm with the social scope, while the hierarchy helps the decision-making process, guiding the management.

Figure 3: Carroll's CSR Pyramid

Even though the elements in the Pyramid should all be respected at the same time by a firm to be socially responsible, there is still a hierarchy between these elements. A different view

Respecting the different elements at the same time permits the firm to be localized in an unusual position, balancing both societal and economic benefits. This is in contrast with the separation thesis, which states that a firm can ether focus on profits or have a social scope, but cannot fulfill both at the same time.

A pyramidal scheme can't properly represent the interconnection between the four cardinal elements of the CSR, which had to be represented in a different way that "includes the major domains of responsibility and clrearly depicts their interrelationships" (Schwartz and Carroll, "Corporate social responsibility."). This is why the "Intersecting Circles" model of CSR has been designed: it represent the notion that the elements of CSR coexist and interplay with each other. For Schwartz and Carrol, the idea at the base of the IC model is that none of the elements of CSR have a primary importance over the others.

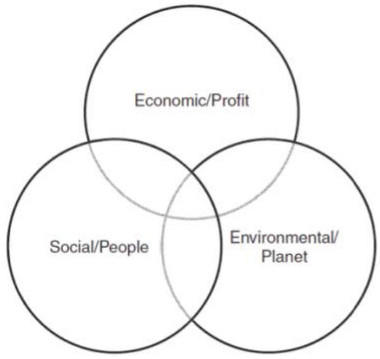
Figure 4: Intersecting Circles model of CSR

Another approach to the four CSR Values defined by Carrol is the "Concentric-Circle Model of CSR", which similarly to the pyramid is giving primary importance to the economic role of business, and this is visible also for the central position that it occupies in the scheme. But while the pyramid defines the economic role just as a self-interest value to survive, the concentric model also recognizes the interconnection of the four elements. putting also the economic value as a value creation for society (be constructively profitable). With the Concentric Circle Model of CSR the inner circle represents the economic function, the middle circles the social values, and the outer represents the challenges that a firm has to address.

Figure 5: Concentric-Circles model of CSR

1.3.1. Triple Bottom Line

To simplify the above definition, a new idea has been developed by Elkington, which introduces the concept of the "Triple Bottom Line", used to describe the three main elements to be considered by a firm: planet, people, profit (Elkington, 1998). This concept has become more and more famous in the last years, with the growing attentions that firms are paying towards CSR practices. Companies have indeed to consider the 3P as core elements for their performance. Profits, as for the other authors, are one of the main elements to prioritize; the second P is People/social, and it's important to measure the value added by the firm to the society with its operations; the last one is Planet, and this element identifies all the practices promoted by the firm to actively preserve the environment. The positive balance of the three elements is the base to consider a firm socially responsible.



To Summarize the Views of Carroll and Friedman, we can say that both were putting high importance on the profit generation. Friedman considers the profit generation as the only role of the business, and all other social activities should be left to other actors. Carrol's Pyramid makes societal responsibility salient, but at the same time there is no simultaneity between societal benefit and profits, which are considered the most important aspect for a company. Carroll extended the corporate social responsibility from the basic elements of a company, economic and legal responsibility, to the ethical and philanthropical responsibility in response to the increasing demand of ethics in business.

1.4. Corporate Reporting

To show to outsiders the CSR performance, companies publish periodical reports to give them a better insight.

Corporate reporting has two other functions: transformation function and information function.

With the first, companies take into account the presence of the corporate reporting when taking business decisions, and in this why they could transform their strategy in order to better match the requirements of the report, which indeed transforms the business decisions.

The latter is the function of reporting to external actors the performance of the company.

There are two main groups targeted with these reports. The first group is composed by shareholders, customers, suppliers, governments and other who want a better insight into the company, to evaluate and control the performance using a backward-looking approach. These actors have a stewardship role on the corporate actions. The second category is composed by financial analysts and potential investors, which want to have a better insight into the company to determine future firm value, so this approach is defined forward-looking, and these actors have a valuation role.

Research shows an interest about CSR-reporting by investor: it was demonstrated that in periods around disclosures of sustainability reports it's possible to measure abnormal stock price reactions. Firms also have a better access to capitals and are less constraint when have good index of sustainability disclosure.

Though the years, corporate reporting have faced an evolution consequently to the increasing interest of external stakeholders on the actions of the firms.

In the '60s the only way used by company for the disclosure of their performance was the publishment of the financial statements. With the growing interest of stakeholders on the activities, the financial statements disclosure was not the only element in the '80s: companies were publishing also Management commentary, Governance and remuneration reports and started to create environmental reporting, substituted in the last years by sustainability reporting.

The future of CSR reporting is the Integrated reporting, which companies combine all the different reports in one single document, showing the interconnection with CSR strategies with other company's results.

1.5. CSR as a strategy in game theory

Corporate social responsibility practices, as other business decisions, could be analyzed through the game theory model. Wu, Zhang and Xie (2020) have developed a model to analyze the strategic decision related to CSR, based the analysis on the assumption of a positive relations between CSR and consumers' willingness to pay a premium for a product, under Bayesian equilibrium.

The study is conducted to analyze and compare the behaviors of two types of companies, self-interested and morally managed. Two mechanisms have been analyzed: strategic CSR and altruistic CSR. In the first case, profit maximizer companies will invest in CSR to gain more consumers, which will recognize their socially responsible behavior. In this way firms will obtain more by doing good. In this case the positive outcome of the decision is subject to the voluntarily intention of the company to engage in such practices, opposed to a mandatory control imposed by regulators (Segerson K. & Miceli TJ, 1998)

The second is the case of Altruistic CSR, which accounts companies that engage in socially responsible practices due to their innate preference for doing good.

The authors observe two types of CSR activities in which a firm can invest: observable and unobservable. From the customer point of view only part of the activities are perceived, therefore in a context on low transparency the consumers will see only the observable activities. Assuming the customers will pay a premium to the firm that increase the utility for society, its choice will be based on the level of transparency that will allow him to make a proper choice.

In this choice, another variable is given by the consumer cynicism towards greenwashing: the higher the transparency is, the higher are the probability to identify the greenwashing practices of the bad performing firms. As the transparency decreases, the consumer loses the possibility to reward the responsible firm.

When calculating the utility, the profit maximizer firm will take care only about its profits, and needs to choose how much to invest in x (observable activities) and y (unobservable activities), while socially responsible ones will include the social benefit in the count.

Socially responsible firm cannot use a price increase for signaling, as it would be copied by the profit maximizer firm which will gain the same benefit. The only parameter a firm can alter is the level of

investments in CSR. Subsequently, it can change price, but only to gain part of the social benefit given to the customer.
The findings show that under incomplete information, the consumers value a firm as socially responsible based on the amount of investment in CSR, and on this reasoning, they make a purchase decision. In this context of incomplete information, the profit maximizer will have advantages in using greenwashing practices, investing less to signal good behavior, while in moderate level of transparency the socially responsible firm will tend to overinvest to separate itself from the profit maximizer.
In context of low transparency, anyway, the authors identify a positive contribution to welfare level: profit maximizer will be incentivized to engage in greenwashing practices, which still increase somehow the social surplus, and socially responsible firm will contribute even more with their overinvestments to differentiate itself from the other firm. With higher transparency levels is not convenient anymore for the profit maximizer to invest in greenwashing, and the socially responsible firms will have the chance to invest less capital in CSR initiatives, as the investments required to separate themselves from the profit maximizer firms are lower.
In the model is also included the bargaining power of the consumers, which level affects the strategy of the companies. When customers have high bargaining power, firms have to lower their prices. Therefore, it will be less convenient for a profit maximizer to invest in CSR practices, as it will bring a low benefit with low profits.

1.6. Criticism on CSR

1.6.1. Anti profit beliefs

The final goal of for-profit organizations is to make profit, trying to find the most efficient and effective way to do so. This profit orientation of companies is stereotypically depicted as immoral and dangerous by society, but it is true as well that companies have contributed to human prosperity.

Religions have been the first to warn about the dangerous effect of profit-seeking behavior, and also modern culture is depicting business as immoral.

Considering the art and literature, it's easy to find example of movies showing the worst side of profit seeking capitalists, while it's harder to find movies celebrating companies for they value added to society and progress. At the same time the focus of media on the public disclosure of companies is all on find the dark side of a company, instead of celebrating the good results (Bhattacharjee A. & Dana J., 2017)

It has been recognized that for-profit companies have been contributing to the social progress and human prosperity (Orlitzky M., Schmidt F.L., & Rynes S., 2003), but may be difficult to recognize this value, if associated to a self-interested background.

This aversion for profit has been identified even in beneficial exchanges made by for-profit companies, when the value exchanged is the same as the amount paid. But people may consider also this situation as a zero-sum game, in which there must be a winner and a loser (Baron J., Bazerman M., & Shonk K., 2006)

It has been observed that people tend to punish others for bad intentions, even though these actions didn't lead to harmful observable outcomes. And this happens especially in business, where companies are "*subjected to heavier scrutiny for excessive self-interest and harm toward others"* (Rai T. & Diermeier D., 2015)

In reality, competitive markets allow a fairer equilibrium between buyers and sellers, which have to generate a reputation in order to gain profits: in case a firm sets high prices for poor quality products the market will respond negatively. To attract customers the firm has to set lower prices, in line with the average of the market, and make better products. To achieve this result it becomes fundamental

for firms to be effective and efficient, innovating to reduce costs, inefficiencies and waste of resources.
The reason for this is that a firm's success depends on consumers 'choices. Consumers are indeed the ones to make the choice on which product to buy and at what price through the system of the competitive market. In this way the interests of both parts will tend to be aligned, and the zero-sum game swifts to a positive-sum one. The profit, in this case when the market conditions allow consumers to make meaningful choice, can measure the "net contribution that the firm makes to the social good" (Arrow, 1973)

The validity of this idea is based on the fact that ideal markets don't function as a single shot game, and the stable presence of firms allows exchanges that are classified as repetitive games. In a single shot game the buyer doesn't have any peer to judge the product offered by the counterparty, so it's easier to find a situation in which the seller wants to maximize its profitability and charge an higher price for the good sold.
In the ideal market system the buyer has an additional element when considering a purchase: the experience. In the repetitive game of the market, consumers tend to buy what matches the best their expectations, and continue to buy what they value the most, also sharing this perceptions with other consumers. In this context firms have to build a good reputation for their offer, combining a good quality for a fair price, in order to maximize the long-term profitability.
Of course, markets are not always perfect, and the consumers are not fully informed, so there are cases in which firms exercise indeed unfair practices and charge more to maximize their profit.

Adam Smith indeed said, "it is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own self-interest" (Smith A., 1776) to describe the profit maximization nature of the business. If this was the origin of the firm, why society allowed it? Originally, the goal of companies was to exploit human-being self-interested motives to generate welfare for society, and this role could be better executed by privates rather than by governments. It's good to consider also that buyers are often judging the prices of goods without taking into account the investments done by companies offer a product in the marketplace. And these efforts done by companies are not considered by the market, excluding the innovation benefit from the value created by the company in the selling of the product, and increasing the anti-profit beliefs.

This results in the idea the profit seeking motivates practices that harms consumers and society.
It was indeed measured that companies with positive market outcomes are affected the most by negative judgments about their relationship with environment and society, with a strong perception of business as a zero-sum game, and that greater industry profit is seen as more harmful and less beneficial. (Bhattacharjee A. & Dana J., 2017).

We can conclude that human beings have anti-profit beliefs, but in most of the cases they do not match with reality. Media tend to strengthen this idea by mainly covering the negative external effects firms impose on society, and putting less attention on what generates value.
As a direct consequence of the anti-profit beliefs, nowadays profit-oriented firms are in a very difficult position: if they do not consider sustainability, they are accused of imposing negative externalities on society, and in this way the accusations are justifiable; but if they do invest in sustainability, they are often accused of greenwashing, and their efforts are analyzed in a critical way.

1.6.1. Criticism on Corporate reporting

Even though companies have put increasing attention to accurate reporting, several critiques are moved to the CSR reporting.
The first problem is the credibility of CSR information and the claimed CSR focus: companies need to credibly reveal that they take actions that are not having direct effects in the long term, and which effects could be visible in the long run. It is also hard to clearly explain how these actions will generate shared benefits for the company and its stakeholders.
The suspects about this way of reporting comes from the anti-profit beliefs, and from the traditional economic theory which claims that people will only take care about their self-interests, so it's difficult to trust someone that claims good actions that will benefit someone else if the results are not clearly visible.
A solution for this is to clearly put in the sustainability reports the so called "green targets":
Green targets are the results that companies want to achieve before a deadline year, so it is possible to measure them through the years and to clearly have an evidence about the CSR performance of

a company. In this way sustainability reports credibly reveal future ambitions, and it's important for companies to follow up on their self-specified green targets in later years.
To analyze whether companies respect these self-imposed parameters, there are discrepancies between what are the information needed and the ones available. To better analyze the performance in the long term there is the need of relevant disclosure of material issues, including future outlook, by using business models and value creation stories, comparable and consistent non-financial information and reliable performance metrics. What is available in reality is a little disclosure about the risks that could undermine future results of a company, or disclosure about non-financial information non-material or relevant. Also, there is lack of connectivity between the KPIs reported, and this can generate confusion in the understanding of the corporate performance. Another critique is the legitimization of poor performance by doing good reporting. When firms are able to create valid CSR reports, they could be misleading about the real performances.

To grant accurate reporting, several standards have been created through the years. Corporate disclosure has rapidly improved since the introduction of the Global Reporting Initiative (GRI) in 2000, which is now used by 80% of the world's largest corporations (Kell, 2018). More recently, the introduction of the International Integrated Reporting initiative (IIRC) and the Sustainability Accounting Standard Board (SASB) have permitted a more industry specific reporting, allowing companies to disclose data in a more relevant way for the investors.

Researchers studied the correlation between the CSR reporting disclosure and the effective CSR results. The results of these studies demonstrate that companies which disclose CSR reports often have a better behavior, and this is visible in the treatment of the main stakeholders: the employees are less likely (0,3%) to be fired during a crisis when a company is having a better CSR performance, while this result is much more consistent (19%) when a company achieves its CSR goals (Serafeim G., 2015)

1.6.2. Green washing

The second big critique is the greenwashing: companies take CSR-actions to hide other unethical behavior.

In the last two decades the CSR has gained much more focus in the business world, and companies have intensively enforced practices to become greener. In most of the cases, these CSR practices have contributed to add value to society, but in some cases, concerns have been developed about the greenwashing.

Greenpeace defines the term greenwashing as “the act of misleading consumers regarding the environmental practices of a company” and it comes from the inconsistency between what the companies claims and what are their actual behavior about their socially responsible practices. In particular, companies focus on salient aspects of CSR, the ones that can be more tangible, while they can be more negligent in unobservable aspects.

Greenwashing is an equilibrium in which firms with profit maximization intentions pretend to care about the sociality, manifesting good practices only on more visible aspects. A common example are companies that claim their products are eco-friendly, but at the same time they are not ensuring fair working conditions to their employees.

The greenwashing is possible when the customer can’t perceive the total picture of the company, but only a face side of it. This distortion is caused by the asymmetric information between firms and customers, and the firm’s activities are not entirely observable. This asymmetry permits company to act CSR initiatives only in the areas that could gain more popular success, instead of focusing on real problems, more related to the core of the company. Due to this asymmetry, customers can make inferences based only on what they can observe, and this could be the aspect manipulated by the companies that practice greenwashing (Wu, Zhang, & Xie, 2020)

The different use of greenwashing could depend on the nature of the firm: greenwashing can be more effective for companies driven mainly by the profit maximization than for the ones with social good as a main aspect of their activities.

Researched We, Zhang and Xie examine greenwashing in order to answer three questions: “What are the conditions under which a firm might engage in greenwashing? How do greenwashing and the threat of greenwashing affect the social welfare? Does greater transparency about Firms' CSR activities lead to higher social welfare?".

To answer these question, they conclude that greenwashing activities are more likely to happen under condition in which transparency is low, so a profit maximizing firm would gain more benefit by mimic its activities. As the level of transparency increases, CSR driven firms would increase their investments, to force a profit maximizer to increase the real CSR spending. In context of incomplete information "bad firms" have more chances to engage in greenwashing, which generates less value to society, but as transparency level arises, companies are incentivized to engage in more effective CSR investments, to avoid greenwashing imputations.

1.6.3. Hopkins' analysis on critiques

Hopkins (2007) addresses in his book some critical points related to the CSR, highlighting the way by which companies can manipulate the concept and the perceptions of the stakeholders to legitimate the way they operate. The collection of critiques he addresses are synthetized in several points:

- CSR lack of widely agreed definition: as noted in the previous paragraphs the definition of the concept is still not defined, and for Hopkins is not possible to engage in CSR practices in a consistent way without a shared vision. Hopkins itself critiques its own definition of CSR, as the definition of stakeholders and ethics is too vague and could be intended in different ways. In some cases, the term Corporate social responsibility is not even used, and it's preferred the concept of Corporate social responsiveness, as the first represent an obligation, while the latter is a reaction to face an issue, and the strategy has to be defined by the management.

- CSR is used to confuse skeptical public: in line with the greenwashing concept, Hopkins collects quotes about CSR as a way to advertise the good behavior of the company, to increase its reputation. But he also state that in average companies obtain tangible results with CSR strategies, so only in some cases the statement could be true.

- CSR is the same as philanthropy: as expressed in the previous paragraphs, CSR and philanthropy shouldn’t be intended as the same concept. While philanthropy addresses the issue of only one stakeholder, CSR is a full strategy that accounts multiple interests. Also, Hopkins states that the philanthropic activity cover an area that should be addressed by the governments, so it shouldn’t be its responsibility.

- CSR diverts attention from the real issues: lacking of a definition that clearly state the responsibility of the company, and the greenwashing concept make possible for the company to modify the perception of the public on the real issues it should address.

- CSR is an unnecessary distraction from the only scope of making profits: as Friedman stated, the only concern for companies should be to generate profits, while delegating the social activities to governments. The first researcher that moves the first critiques to the CSR was Theodor Levitt, which in 1958 Discussed the difference between the role of the governments, which are not involved in business, and businesses, which job is not government (Levitt T. , 1958). But these problems are not possible to be solved by governments alone, and they cannot be seen as the solution for issues often generated by companies. Therefore CSR activities are required to increase the welfare and reduce waste of resources that could be beneficial for profit generation.

- CSR doesn’t work because companies cannot self regulate. May be true that CSR doen’t work alone, and that’s why legislations and frameworks have been introduced to better apply its principles.

2. Engaging in CSR Activities

2.1. Why engaging in Corporate Social Responsibility

To classify the causes that push a company to engage in CSR activities, the most prominent theories of the past years are focused on the external and internal drivers that play a role in the Corporate social activity of the firm. To study the external drivers we have the Stakeholder theory, the Legitimacy theory, and the resource dependency theory (RDT); while on the internal side we will focus on the resource based view and the agency theory. (Mellahi K., Frynas J.G., & Sun P., 2015)

External Drivers	Internal Drivers
- Stakeholder theory - Legitimacy theory - Resource dependence theory	- Agency theory - Resource-based view

2.1.1. External drivers of CSR

2.1.1.1. Stakeholder theory

The Stakeholder Theory reflects the expectations on the management of an organization to perform activities deemed important by its stakeholders, and to report information about their performance (Fernando S. & Lawrence S., 2014).

The first evidences of stakeholder theory come from Johnson in 1947, and Ansoff in 1965, but the most relevant studies on the topic have been done in the 80' by Freeman.

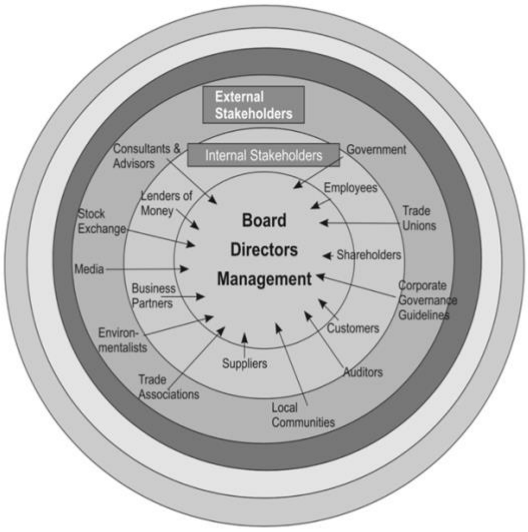
For the stakeholder theory, the role of the managers is to operate not only in favor of the value maximization for the shareholders, but it is defined in the more extended view that value creation process should include the broader category of the stakeholders.

It has been discussed before that the Corporate social responsibility of a company has to take into account all the actors involved in its activities. This definition considers the responsibility of the company as the identification and fulfillment of the interests not only of the owners of the company, the Shareholders, but also of the other internal and external players, the so-called stakeholders. “Stakeholders are groups and individuals that have a valid interest in the activities and outcomes of a firm and on whom the firm relies to achieve its objectives” (Freeman R.E., 1984) (Freeman R.E., 2018). These groups include mainly customers, employees, suppliers of goods, services and capital (including the shareholders), and the communities in which the firm operates.

An organization is expected to be accountable for its decision-making process to its stakeholders. The more critical is the stakeholder, the more accountable the organization is to him (Fernando S. & Lawrence S., 2014). Managing the stakeholders is not an easy task, as their claims could be various and different among each group. To effectively manage the stakeholders, it’s necessary to have a sort of priority list of the most influent stakeholders for a company. For this scope, to develop a more structured CSR strategy it is necessary to make distinctions among the several groups that compose the category of stakeholders.

The most relevant distinctions among stakeholders are summarized as follow:

- Internal and external stakeholders (Carroll A.B., 1999): internal stakeholders are the employees, owners and managers, while the external stakeholders include consumers, competitors, government, environment and other external groups. Other classification accounts as internal stakeholders also other actors that directly interact with the company, including also the consumers.
- Primary and secondary stakeholders: primary stakeholders are the ones that directly interact with the company. Among them, there are the Key stakeholders, which play a key role in the decision-making process and also in its implementation, as they could be involved in the management or financing of the company, or could be policy makers or eventually they can exert a strong influence on the organization (Florea L., 2013). The secondary are the ones which don’t directly contribute to the value creation of the firm, such as governments, consumer groups, non-governmental organizations, media, unions and competitors. The secondary stakeholders have an indirect influence on the company, and are considered non-essential for its survival (Clarkson M.E., 1995)
- Strategic and moral (Goodpaster K.E., 1991): strategic stakeholders are the ones more relevant and connected the company’s strategy. Satisfying their claims permits the company to obtain stronger results



Another classification of stakeholders can be done based on the amount of power they have in influencing the decision making of the organization. In this case the stakeholders could be the classified in the following four groups (Neville, Bell, & Whitwell, 2011)

- Promoters: stakeholders that have interest and power to make a decision to happen. Project managers should actively adapt their decision making around their needs. They are the ones able to exert the strongest influence to promote a project, and the largest capacity to make it fail.
- Defenders: are the ones with strong interest in a decision, but have a reduced power to influence it, so they try to spread the voice in the community to gain more support. They actively support the project, and it's important to keep them updated, included and motivated.
- Latents: stakeholders without interest in the decision, but that could exert a strong influence if they become interested. So often these are the ones which are silent, but if involved in the decision can influence the outcome. They need to be satisfied by the outcome of a project, but they didn't require attention during its execution.
- Apathetic: this is the last group, nor involved and nor interested in the decision. Sometimes they don't even know the decision exists. These require very low attention from project managers, as it's very unlikely their interests or power changes

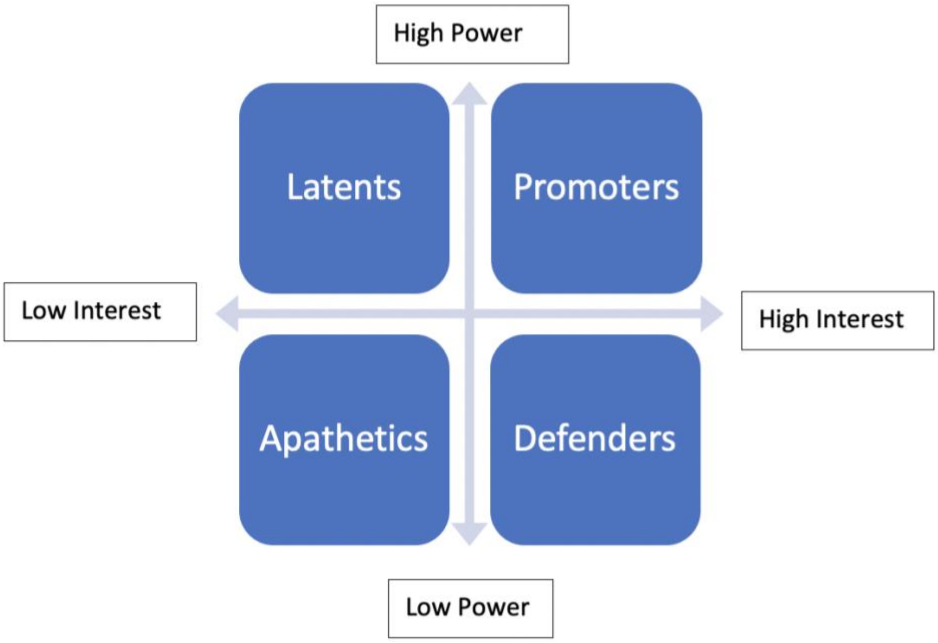


Figure 6: A classification of Stakeholder groups (Neville, Bell, & Whitwell, 2011)

The stakeholder theory pushes the company to act in the interests of multiple groups, not only for the shareholders. It is evident that to satisfy a broader group of individuals, the capital necessary is much more. This is why, often, the shareholder theory is considered a strategy used by managers with "short-term thinking about the organizations, often at the expense of longer-term organizational health" (Freeman R.E., 2018). To ensure value creation in the long term, for Freeman, the business executives need to manage the stakeholders in a manner that reflects into a value creation process for the firm. The real challenge is to identify the most relevant stakeholders for the company, and to determine the best practices to manage them, in order to create a win-win relationship in the long term. The stakeholder management is the first step toward an integrated CSR-strategy, "by which managers reconcile their own objectives with the claims and expectations being made on them by various stakeholder groups. Management's challenge is to decide which stakeholder groups merit and receive consideration in the decision-making process" (Carroll A.B., 1991)

The primary element is to analyze which are the stakeholders more relevant for the company's activities, in order to establish a natural fit between CSR strategy and stakeholders.

To analyze the stakeholders and prioritize their needs, there are three elements that have to be considered by management: Legitimacy, Power and Urgency (Mitchell R.K., 1997)

- Legitimacy: related to the justifiable right of the stakeholder to make claims towards the firm. Do the stakeholder have a justifiable right to make this claim?

- Power: related to the capability of stakeholders to push the firm so do something that otherwise wouldn't have been done. It also considers how stakeholders can control the firm's resources. Can the stakeholder influence resources that are important for the firm?
- Urgency: how fast the company should react to the request from a stakeholder. Does the claim require attention at the short-term?

With the stakeholder theory, the goal of the company is to put on the same level shareholders and stakeholders. While the first group relies on the financial results, the latter needs alternative ways to be informed about the activities of the company. To address this need, companies have started to disclose sustainability reports.

2.1.1.2. Ethics and stakeholder theory

All the business decisions have to take into account the ethical and moral aspect (Freeman R. E., 1994). With the stakeholder theory, such decisions have to consider not only the financial outcome for the shareholders, but also the impacts on the stakeholders. Therefore, without ethics, the decision to increase dividends for shareholders could be directly correlated to the increase in working hours for the employees. With the absence of the ethical dimension, immoral managerial behavior would arise, as executives would stick to the profit maximization (Freeman R.E., 2018).
While stakeholders can be ranked based on the interest of the company, Deegan analyzes the ethical branch of the stakeholder theory, by which all the stakeholders have the right to be treated at the same way (Deegan C., 2002). Managers of an organization should maintain the interests of all the stakeholders, regardless of whether the decision could improve financial performance.
Proponents of the stakeholder theory put emphasis on the ethic as the fundamental element to build trust with employees, suppliers and customers. This trust is able to generate mutually beneficial exchanges (Hopkins M., 2007). When firms build a reputation based on ethical collaborations, they are able to gain competitive advantage.
It's important to clarify that non authentic actions will negatively affect the trust, therefore Freeman states that the best way to appear authentic is to be authentic (Freeman R.E., 2018).
The ethical stakeholder approach gives managers a broader point of view to analyze the obligations towards society, and at the same time defends the company from the accuses of being corrupted by the profit maximization.

2.1.2. Legitimacy Theory

With the Legitimacy theory is identified the mutual relationship between the organizations and the society they function in. A company cannot operate as an isolated entity, but must interconnect with the surrounding community and environment in an acceptable way, "commensurate with the society's own value system" (Fernando S. & Lawrence S., 2014). The existence of an CSR is to fulfill the expectations of the society the company function in (Werther W.B. & Chandler D., 2010), because in a democratic society the "power is taken away from those who abuse it" (Davis K. & Blomstrom R.L., 1966)

Deegan defines the legitimacy theory as the emphasis that companies put on ensuring they are perceived as functioning within the bond and norms of society in which they operate, generating a social contract between company and society. This contract could be implicit or explicit. In the latter case it means that it is defined by legal requirements. The terms of this social contract have to be respected by the company, in order to preserve the legitimacy to operate in the society. In case there is a disparity between the way the company should operate and its actual behavior, it will lose the legitimacy (Deegan C., 2002).

In legitimacy theory, companies are not isolated entities, but are interconnected with the society, with whom they develop a continuative relationship of exchanges. Mathews includes in these exchanges all the products and services generated by the company, and the use of human resources and materials obtained by the environment in which they operate. (Mathews M.R., 1993). To legitimate these exchange, social benefits should be greater than the costs, so the scope of the company should be to increase the benefits for society and minimize the costs for their realization.

However, is not easy for company to perfectly match the expectations of society, considering that they constantly change. Therefore some "legitimacy gaps" arises. These kinds of discrepancies can represent a risk for the organization, and to close them, the company should implement proper legitimation strategies. The most relevant strategies identified are four (Fernando S. & Lawrence S., 2014):

- Educate relevant stakeholders about the actual performance, disclosing corporate reporting and involving stakeholders in the decision making of the company.

- Change the perceptions of the social issue by changing the organization's behavior, by public impression management.
- Distract the attention away from the issue of concern and focus on a favorable issue, using CSR activities and advertising to give something back to society in exchange for what the organization has taken from it.
- Change the external expectations about the organization's performance, trying to evolve the expectations of the community.

Another limitation of legitimacy theory is related to unexpected occurrences that could negatively affect the reputation of the organization, like financial scandals and major accidents. These events could bring down the legitimacy of the organization, and it's hard to reconstruct the trusty relationship with the surrounding community.

The third big limitation regards the vagueness of the corporate disclosure, as it's up to the organization to decide which kind of information have to be disclosed, and in what way they should be depicted.

2.1.3. Resource dependence theory

Resource Dependence Theory (RTD) is focused on how the organizational behavior is affected by external resources. The principle of the resource dependence theory is that firms need to maintain access to external resources, which are under the control of the stakeholders, such as shareholders, employees, customers, suppliers and community. Often these external actors could influence the decision-making process of the firm, sometimes controlling it (Salancik G. R. & Pfeffer J., 1978). To maintain access to these external resources, firms have to satisfy the needs of the controlling stakeholders. Being hard to simultaneously satisfy all their requests, often firms have to prioritize some of them, paying more attention on the key stakeholders that control the most valuable and scarce resources. The organization has to carefully implements strategies in order to ensure a continuative access to them. Typically, organizations build redundancy into resource acquisition from multiple parties, in order to reduce the dependence on a single supplier, which could become more critical and powerful. To ensure good relationship with the stakeholders in order to maintain access to resources, companies engage in CSR practices. Resource dependence theory could be considered similar to the stakeholder theory, as both considers of primary importance the relationship with them, but the difference relies on the fact that with RDT it is more self-interested.

2.1.4. Internal Drivers

2.1.4.1. Agency theory

An agency is defined as a relationship between two parties, the principal and the agent. The agent is hired to perform a service on behalf of the principal, which delegates him for the decision making. The agent uses the principal's resources and put him under risk. The agent is expected to act in the interest of the principal, but often this is not the case due to different priorities. Such cases are defined by the theory as the principal-agent problem. The agency theory comes from a difference of goals and difference of risk aversion between the parties.

A common example of principal agent relationship is the one between shareholders and executives of a company. In this context the executives need to take decision on behalf of the shareholders. To align the interest of the two parties, often stocks are offered to the managers, as an incentive to operate in a more convenient way for the shareholders.

Shareholders of a company can have two different approaches when considering CSR: they could either be the promoters of CSR activities, when considered a valid tool to increase the financial and non-financial performances, or they can dislike these activities (Barrios, Fasan, & Nanda, 2014)

In the latter case there could be a mismatch between the interests of principals and agents, where CSR initiatives promoted by the executives are likely to be perceived by the shareholders as a waste of financial resources. From the point of view of the agency theory, CSR practices are applied by the managers to gain more popularity, acting for their own interests, while the shareholders receive less dividends. For them CSR is not a value maximizing choice, and it's only a selfish strategy of the management (Jensen M. C. & Meckling W. H., 1976). Friedman (1970) was one of the first to talk about CSR as a self-service behavior of managers, as they are wasting company's resources instead of focusing on the only responsibility they have, the profit maximization. The only activities admitted when using resources are the ones that could increase profits, while operating withing the legal boundaries.

Several studies demonstrated the correlation between the lack of managerial incentives in firms with higher amount of CSR practices, which leads to the conclusion that CSR could be a result of agency problems (Liang H. & Renneboog L., 2016).

2.1.4.2. Resource Based View

The Resource-based view argues that the competitive advantage of a firm comes from the elements already present inside it, therefore it's not necessary to acquire new skills and elements from the external environment (Wernerfelt B., 1984) (Barney J., 1991). The internal resources are the ones that, when correctly exploited, could represent a competitive advantage.

The resources can be defined as tangible or intangible. In the first case they are physical resources, like buildings, machinery, equipment and capital. This type of resources can be easily put into the market, but competitors can imitate them and easily eliminate the competitive advantage acquired. The intangible assets are all the non-physical resources of the company, like brand reputation, trademarks, intellectual property. These elements are built over a long time by the company and cannot be bought in the market, therefore are less likely to be imitated. The intangible assets are the ones that could give the company a more marked competitive advantage.

The resources have to be heterogeneous between companies, otherwise all of them could have the same advantages by using them, and they need to be immobile, so they cannot be transferred from a company to another.

Barney (1991) have identified a framework to analyze the resources that could represent a competitive advantage for the company, the VRIN framework, to identify resources that are valuable, rare, inimitable and non-substitutable.

Investing in CSR activities could generate fundamental intangible resources for the company. The first to connect these two elements, mainly considering the environmental social responsibility, is Hart (1995). He asserts that, for some firms, environmental social responsibility could generate a competitive advantage that could lead to higher profits.

CSR was also included in the RBV framework by Mcwilliams and Siegel, which outlined the competitive advantage of a company that add the social attribute to its products, which could be perceived as more valuable by the consumers and other stakeholders (McWilliams A. & Siegel D., 2001). Investing in CSR activities can help firms to create VRIN resources that generate additional internal and external benefits, such as corporate reputation: an higher reputation not only permits to gain more successful relationships with external actors, but can also enhance the employees' motivation.

2.2. Corporate Social Responsibility strategy

The previously analyzed drivers for Corporate social responsibility can be used as a starting point to explain why a company engages in more complex CSR practices, considering internal and external elements. The consideration of these drivers could push executives to develop different business models. Galbreath (2006) identifies four different strategies that lead the creation of a CSR oriented business model: the shareholder strategy, the altruistic strategy, the reciprocal strategy and the citizenship strategy.

The first option, the shareholder strategy, is only focused on maximizing the shareholders' returns, in line with the CSR concept of Milton Friedman. In this case the only obligation of the company is to maximize profits, create jobs and pay taxes, respecting the minimum legal requirements.
In this neoclassical vision, the company not only ensure its own survival, but contributes to the growth and prosperity of the society. In this case the agency problems are reduced to the minimum, as the interest of principals and agents are aligned around the profit maximization.
This profit-oriented strategy is based on the self-interest of the company, which only considers financial results as KPI. The time frame covered by this strategy is short, as it is not creating any reputation related to sustainability matters, therefore the concerns of the society could easily arise, mining the performance of the company.

The second strategy described by Galbreath is the altruistic strategy, which can be also considered as the philanthropic strategy. In this case the business is understanding its responsibility toward society, but it's delegating managers with the responsibility to give something back to the community in which it operates. Typically, this is done through philanthropy, by donating part of the surplus of the company. The motif of this strategy is to give something back to community, groups or causes. As it is an "after-profit" strategy, it is not intended by its nature to be included into the operations of the firm. Sometimes these donations are also done based on the personal sensibility of the managers, and not even related to the activities of the firm. In this way the altruistic strategy is not contributing to the creation of a solid competitive advantage. The donations could be intermittent or timed, but the benefits cannot be measured, therefore it is defined as a weak strategy.

The reciprocal strategy takes a step forward in reconciling the economic interests with the social, moral and environmental expectations of society. With this strategy the awareness about the social issues is included in the development of the business model, and the firm is more proactive to address them. Companies include the stakeholders into the business model creation, identifying which are their needs and what are the practices that could be positively perceived by them. This strategy is the application of the stakeholder theory, which permits to obtain the benefit of the legitimization theory. Companies that apply this strategy are going beyond the simple compliance with the legal requirements, investing in activities to introduce innovation and to create more welfare for society. This strategy accounts also building partnerships with organizations that operate in the same sector, to signal the interest of the company in helping the society.
This strategy allows the company to be positively perceived by the community and to build a reputation, but it requires a medium-long term for the investments to get strong measurable benefits. These benefits account better financial performances, the accomplishment of market goals, and the satisfaction of human resources, which retention rate will increase.

The last, and more powerful, strategy is the citizenship strategy. This concept was used to indicate the responsibility that a company has to operate like a good citizen in society (Drucker, 1946).
This is a more complete strategy, by which the firm recognizes that the various groups of stakeholders can't be treated in the same way, but there is the need of a more specific focus based on the needs of each sub group. This strategy fully aligns with the stakeholder theory promoted by Freeman. It also focus much more on the issues that are directly related to the company's business model, developing in this way a sustainable competitive advantage that can last in the future. This strategy is intended as a dialogue between the company and the stakeholders, to better define the decision making process.
Due to the complexity of this strategy, the time frame to collect the benefits is longer, but it permits to create a solid reputation, that will give stronger and measurable results. The company has to disclose sustainability reports to inform the stakeholders about the business decisions, and to show how the business practices are effectively aligned with their claims.
The goals of the citizenship strategy are to demonstrate responsibility, transparency, sustainability and accountability, put in practice with the governance, ethics, stakeholder dialogue and corporate strategy. It has an holistic approach, addressing all the aspects relevant for the firm and the

stakeholders. With this long term-strategy is possible to generate tangible economic benefits, but also intangible, as brand reputation and satisfaction.

This last strategy is in line with the concept of "Creating Shared Value", created by Porter and Kramer (2011).

2.3. Creating Shared value

2.3.1. Material sustainability

The just analyzed drivers explains what the different reasons and strategies to engage in a CSR strategy, but the fundamental concept for a concrete strategy is to address the issues that are "material" for the company. The sustainability activities for a company can be indeed divided in two main categories:

- Material Sustainability: Materiality are "those topics that have a direct or indirect impact on an organization's ability to create, preserve or erode economic, environmental and social value for itself, its stakeholders and society at large" (GRI STANDARDS, 2020) it includes the activities related to social and environmental issues that are in line with the business model of the company. Material sustainability is the way to create shared value
- Immaterial Sustainability: defines sustainability initiatives which are not related to the business model of the company, and are not focused on areas on which the company has the greatest impact. Immaterial sustainability accounts actions put in place by companies to purse greenwashing, or like philanthropy, which is often not consistent with the firm's strategy, and it's not going to increase profits. These practices only destroy value.

Materiality is an element often considered for the implementation of a CSR strategy, and its importance is marked also in the sustainability reports disclosed by companies.
Designing a CSR strategy around material topics is positively perceived by the stakeholders, as the activities are connected to the core operations of the company, and the overall effort is more credible from the outside, avoiding greenwashing accuses. The focus on material sustainability allows firms with high materiality scores to outperform firms with lower materiality ranking (Khan, M., Serafeim, G., & Yoon, A., 2015)
With this idea of materiality, it become clear how CSR strategies could differ between companies operating in different sectors, as what is material for one, could be completely immaterial for another.

2.3.1. Creating Shared Value Framework

Porter and Kramer (2011) have theorized an evolution of the concept of Corporate Social Responsibility, that synthetizes and push forward the citizenship strategy, which is the way to interconnect the interests of the business and society to Create Shared Value (CSV). CSV is not an advanced form of philanthropy, but it creates economic value for the company while it creates value for society, addressing its needs and challenges (Kramer, M. R. & Porter, M. , 2011). The ultimate goal of CSV is to transform social problems related to the company into business opportunities, while addressing them in a responsible way (Crane, A. & Palazzo, G., 2014)

Companies and communities are strictly interconnected, as the competitiveness of the one depends on the success of the community, which provides assets and resources. On the other hand, communities rely on the success of the firms that operate in their environment, which gives in return jobs and wealth creation opportunities. As seen with the shareholder strategy, business decisions are often led by the strong pressure of shareholders, which focus too much on the short-term results, by pushing the customers to buy as much as possible, not taking care about the communities. This approach raised the idea that companies operate at the communities' expense, doing nothing to fight social issues. Furthermore, when dislocating their activities in several countries, global companies lose even more the connection with the communities, and with it, value creation opportunities (Kramer, M. R. & Porter, M. , 2011).
Creating Shared Value means the application of a different approach from the organization, which instead considering their relationship with the community as a waste of resources, it become a point of value creation for its business. This concept reflects perfectly the ideas of the shareholder theory and the legitimization theory, by which the company has to gain the support from the community to operate, and it has to build trust to increase the performance.

To create share value, a company must address societal needs and problems in a competitive and sustainable way by using three distinct ways: Reconceiving products and markets, redefining productivity and enabling local cluster development (Kramer, M. R. & Porter, M. , 2011)

Reconceiving products and markets, from products to services, from ownership to leasing, from private to public ownership. Companies that are active in providing conventional goods and services

are not necessarily the ones that will be good in providing shared value. To do so, it is necessary to find unrecognized gaps in unserved markets, and go beyond the simple activities (Kramer, M. R. & Porter, M. , 2011). For example, a food company which conventionally is focused on tase and quantity of the food should embrace the wider need of the nutrition, or a telecom company should move from the standard activities in the developed countries to create new opportunities in the poor countries, to enable their growth exploiting the already developed innovations. Another example is the banking sector, which instead of simply selling loans, should develop tools for customers to manage their budgets, and to increase their financial literacy. This shift from product and service to the societal needs can represent a starting point for innovation, drastically affecting the business model of a company. It will also conflict with the attitude towards risk avoiding of a company, encouraging businesses to abandon their reputation-based view of the market, and use their resources to lead social progress (Beschorner, T. & Hajduk, T., 2017).
The rethinking of activities could also be seen as a way to reshape the nature of a business, like the ones operating in the tobacco, weapons or oil industry, to increase efficiency and reduce impact on society, but some argues that the nature itself of these industries has a negative impact on society and there are no ways by which they can offer shared value. Another critique about this point is that Porter and Kramer have only shared successful stories, while putting less focus on how to address such industries in specific. (Crane, A. & Palazzo, G., 2014).

Redefining productivity, rethinking logistics, energy use, distribution, location, employee productivity is the second way to create shared value described by Kramer and Porter. The value chain of a company is inevitably affected by numerous societal issues; therefore, it represents a great chance to address them in a way that could reduce costs and increase efficiency, all by creating shared value. This interconnection between competitive advantage and social issues should push firms to rethink the way they address their internal issues, often only considered as costs (Kramer, M. R. & Porter, M. , 2011). The main example is the effort to reduce pollution, which was only considered as a cost that comes from taxed and regulations, but now it is widely agreed that the technologic improvements to achieve energetic efficiency and reduce emissions could optimize the use of resources and increase efficiency and quality of the production.
Redesigning activities to create shared value could be done in several areas of the firm’s operations:

- Energy use and logistics. The awareness about energy efficiency was always considered, even before the carbon emissions became a global issue. With this experience, practices have been promoted to use better technologies, recycling and other practices that created shared value. At the same time, logistics have gone through the same redesign, modernizing the fleet used and modifying the routes, to reduce the emissions and the cost of transport and inventory.

- Resource use. The use of water and other resources, involved for production and packaging, could have an enormous impact on the costs of a company. Redesigning their usage in a more efficient way could create shared value by reducing the costs for purchasing these materials, while lowering the footprint of the product.
- Procurement. Companies can create shared value improving the quality of the products they get from their suppliers, by helping them to increase access to inputs, or sharing new technologies that can improve their processes. It creates mutual advantages, as the company can get a better product, while the supplier can innovate its production.
- Distribution. Instead of distributing products physically, the digital contents can represent a way to create shared value at a reduced cost, permitting at the same time a wider distribution. Companies can also enjoy a faster distribution worldwide.
- Employee productivity. While salaries and employees' benefits are often considered only as a cost for a company, it is growing the awareness about the productivity increase caused by better workers' conditions, such as higher salaries, safety, wellness. By caring about the workers, a company can create shared value increasing their conditions and benefit of more efficiency.
- Location. The trend of the past years was the offshoring, dislocating the company activities in countries with less regulations and cheaper access to inputs and human capital. We are assisting now in a different trend called "re-shoring", by which companies have decided to move back their activities closer to their homes, to increase efficiency managing fewer locations, and promoting the development of the local community. (Kramer, M. R. & Porter, M. , 2011)

While this approach could be accepted by every company as it has a potential to reduce expenses, it has been argued that it is hard to apply when the company is under cash constraint. Initial investments needed are usually high to gain such improvements. It is indeed difficult to apply radical innovations that can affect all the supply chain at the same time, and only part of these practices can survive in the long term and give real results. (Crane, A. & Palazzo, G., 2014)

The last topic to Create Shared Value identified by Kramer and Porter is "enabling local cluster development, identify gaps and deficiencies in logistics, suppliers, distribution channels, education, and work together with other partners to address these gaps".
The success of the company is indeed not based on the activity of the company as an isolated entity that operates alone, but it's affected by the supporting companies and infrastructure present in the same environment. These so-called clusters can create a favorable climate that could stimulate the innovation. The example could be the Silicon Valley. The positive externalities brought by these clusters can bring benefits for the communities in which they operate, creating shared value between the multiple entities.
The formation of the clusters is the result of this collective effort in bringing added value to the environment. Considering the phenomenon in the other way around, it is not possible to create such clusters if the conditions do not permit their growth. With the idea to create a regional cluster, it will be necessary to stimulate the community by increasing the quality of the education, improve the transports to facilitate collaborations and ease regulations to start new projects. This concept is relatively new, as CSR has diverted the attention from the role of the governments in promoting the societal growth, as it is mainly responsibility of the corporations (Crane, A. & Palazzo, G., 2014).
But, on the other hand, clusters could also become a reason for social issues. As they grow, they could tend to create overcrowded regions, migrations, and unequal income distribution. Also, cluster development is likely to be led by industry potential rather than social needs.

For Porter, creating shared value represents a new way to maximize profits, reconciling the outside looking of the stakeholder theory and legitimacy theory, while making the interests of the shareholders respecting the neoclassical view. It is indeed a self-interested strategy to gain a competitive advantage in reducing costs, but at the same time it matches the interest of the community and the environment. Due to the materiality of the strategy, each firm would address the needs related to its particular industry, and the sum of the multiple application by several firms could address all the society's interests.
Despite the big manifested innovation of the work of Porter and Kramer, a big critique has been raised about this "new" concept of Creating Shared Value: it was designed as an innovative concept compared to the old view of CSR, but in their paper CSR has been incorrectly used as a synonym of corporate philanthropy. But philanthropy is not anymore the only constituent of CSR, and every firm

is aware of this. So the difference between CSV and CSR should be minimal, as both are connected to the core strategy of the company (Beschorner, T. & Hajduk, T., 2017).

Another critique is related to the scarce consideration of the social and economic tensions in business decision, as CSV framework is failing to address the trade-offs of the parts involved in the business decisions, while Kramer and Porter aim to seek for a win-win strategy, in practice it is not always the case, and there are no guidelines on how to gain economic benefits when the interests are not aligned with all the stakeholders.

Kramer and Porter also built the CSV framework with the assumption that corporations will act in compliance with regulations and laws that could shape their behaviors, but researches are demonstrating that the key issue is the lack of compliance itself, as often corporations operate in a wide context where governments are unable to control their activities (Crane, A. & Palazzo, G., 2014).

The ultimate critique moved to the CVS framework is that it lacks of a clear strategy to be applied, and it only has broad guidelines. With their article, Porter and Kramer mainly question the CSR and capitalism as the problem that should be fixed.

2.4. Implementing a CSR strategy

Until now the origin, the strategies and approaches to Corporate social responsibility have been discussed. The next step is to analyze how to put in practice CSR principles in the business model of a company.
As seen, the origin of a CSR strategy is related to two main categories of drivers, internal and external. From this distinctions, two opposite perspectives shape different CSR strategies, designed with an inside-out or an outside in approach. (Pater, A. & Van Lierop, K., 2006)

2.4.1. Inside-out approach

In line with the resource-based view, the inside out approach is based on the belief that the existing resources of a company can represent the strengths that will make it prevail in the market. With the inside-out approach, firms autonomously define their responsibilities based on their core characteristics and abilities, finding what they can do to add value to society, while stakeholders claim are less relevant. With the inside-out approach, the values of the firm represent the starting point of its corporate social responsibility strategy, that will be more coherent and embedded with the organization. (Pater, A. & Van Lierop, K., 2006).

To build a CSR strategy using the inside-out approach, the starting point is to analyze the internal element of the company, and to find areas that can be used to promote the creation of shared value, or weaknesses that could be addressed in a sustainable way. The steps to follow are the same for the application of a traditional strategy.

- The first step is to use a traditional framework, such as Porter's Diamon Framework to analyze the industry in which the company operates, and then the value chain analysis or the Business morel Canvas by Osterwalder to analyze the company's internal activities, the resources and factors that shape its strategy.
- The second step is to analyze the current strategy to identify potential sustainability gaps. Looking at the frameworks is easier to spot what are the needs the company is failing to

address with its strategy. To identify them it is possible to use the United Nations Sustainability Development Goals or the SASB materiality map guidelines.

- The third step is to change the strategy to address these sustainability gaps by modifying the business model, to address them in a way that could generate more value for the company and the society.

It has been argued that the inside out approach suffers from a myopia about the real needs of the external environment, as it focuses too much on the internal aspects of the company.

2.4.2. Outside-in approach

In defining the concept of corporate social responsibility, it has emerged the primary importance of the relationship between the company and its stakeholders to achieve legitimacy for the business, and to pursue goals (Freeman R.E., 2018). Thus, the stakeholder management is a fundamental step for the application of a CSR strategy. The outside in approach come from the perspective that are the stakeholders to shape the business model of the company, and understanding their needs represents the key to success. Therefore, the focus is not on the products the company creates, but the needs it has to address. In companies with this approach, the business plan should come from the market, understanding the difference between what is the product that the firm creates, and what the people really need.
In this way, a company can shape its business model based on what are the growing opportunities that the market offers, what are the trends that it should follow, and what are the needs that it has to satisfy.

Stakeholder Management is the process used by the company to reconcile its interests with the needs of the Stakeholders. As seen with the stakeholder theory, a company should scan the external environment to understand the interests of the several groups of stakeholders and address them, but the downside of this process is that the groups could be multiple, and their interests too diverse to be addressed at the same time. The challenge for the management is to identify which are the stakeholders' needs that the company should address first.

Therefore, to create a strategy using the outside-in approach, the starting point is to develop a stakeholder matrix. In this way it’s possible “to find the social members who are more urgent to the business, ad to whom it must be more responsive” (Carrol, 1991).

Carroll promotes the model of Urgency, Power and Legitimacy to identify the most relevant stakeholders, which interests are more relevant and material to the business.

With the stakeholder/responsibility matrix designed by Carroll (1991), it is possible to identify who are the company’s stakeholders, what are their stakes, the opportunities and challenges they present, what is the corporate social responsibility the company have to them, and helps to design the strategy to best deal with these responsibilities.

This matrix is an analytical tool that helps managers to organize the stakeholder groups to prioritize them and take decision on the strategies to follow. Using this tool, it’s possible to find a natural fit between the company’s CSR activities and the stakeholders needs. The stakeholders most common to be selected are customers, communities, employees, suppliers, investors, media, government and nongovernmental organizations (Ebrary.net, s.d.).

	Types of CSR			
Stakeholders	Economic	Legal	Ethical	Philanthropic
Owners				
Customers				
Employees				
Community				
Competitors				
Suppliers				
Social Activist Groups				
Public at Large				
Others				

Figure 7: The Stakeholder/Responsibility Matrix, (Kramer, M. R. & Porter, M. , 2011)

After companies have identified the relevant stakeholders, the next step is to decide which are the goals to pursue. To identify the shared value that the company wants to promote, it is necessary for the company to understand what is more relevant for itself and for the stakeholders selected with the matrix.

But addressing the needs of multiple stakeholders, without a long-term strategy, could lead to a fragmented and fragile CSR agenda for the company. This can be seen as a strategy that can impact only the short run, as it could focus too much on the temporary needs of a category (Pater, A. & Van Lierop, K., 2006).

Another limitation of the stakeholder matrix is that it helps to identify wide categories of stakeholders, but they are organized in an high level classification, lacking of a specific definition of the smaller groups that compose them.

Furthermore, to identify specific needs of these groups, organizations should have an "open dialogue" with these groups, including interviews, surveys, discussion groups and media scanning, to clearly identify which are the ones most likely "to drive, block or shape the disclosure about sustainability" (Ebrary.net, s.d.). These methods are not standardized, and only a few companies deeply investigate on what are the real interests of their stakeholders.

Another aspect to consider with this approach is that companies could face problems when making selections on the degree of importance of stakeholders, as they are reluctant to explicitly exclude certain categories. The trades offs are something that companies what to avoid, and sometimes they also want to avoid to disclose the process for the selection.

Anyway, this is a valid tool to be used as a starting point for the development of a CSR strategy that accounts interests of both company and stakeholders, and that could grant credibility and legitimacy.

2.4.3. Integrated thinking

Considering the weaknesses of each approach, both affected by a potential short-term vision, and the fact that the markets are complex environments can't be treated with a distinct strategy, It is rare to find cases where the two approaches above mentioned can be purely applied excluding the other.

It possible anyway to create a more powerful approach, mixing together the inside-out and the outside-in view. Creating a balanced strategy between the two approaches permits the organization to be more specific in addressing the most relevant issues for the company, representing the best way to create value for itself and for the society. This mix of the two approaches is defined as integrated thinking. Integrated thinking takes into account the connection and interdependency of the factors that influence the ability of the organization to create shared value (IIRC, 2013).

Integrated thinking is the consideration of all the relationships between the operating and functional units, and leads to the integrated decision-making to create value in the short, medium and long range. The more the integrated thinking is embedded into an organization, the more natural will be the decision-making to create vale.

The factors to consider with integrated thinking are:

- The capitals available to the organization
- The stakeholders that interact with the organization, and its ability to respond to their needs and interests
- The structure of the business model, and its flexibility to respond to changes in the external environment to mitigate risks
- The organization's total activities, performance and outcomes (IIRC, 2013).

Integrated thinking permits the organizations to get a full understand of the internal and external environment in which it operates. The IIRC gives a scheme for the value creation process, in which the external elements of economic conditions, technological changes, societal issues and environmental challenges set the context within the organization operates. In this environment the company has to identify its mission. Internally, the governance is responsible for designing the best structure that allows the organization to create value through the business model.

Each element of the business model has to be designed around the strongest value present inside the organizations, but it has be flexible to the changes requested from the external environment, in order to be able to ensure value creation in the long term.

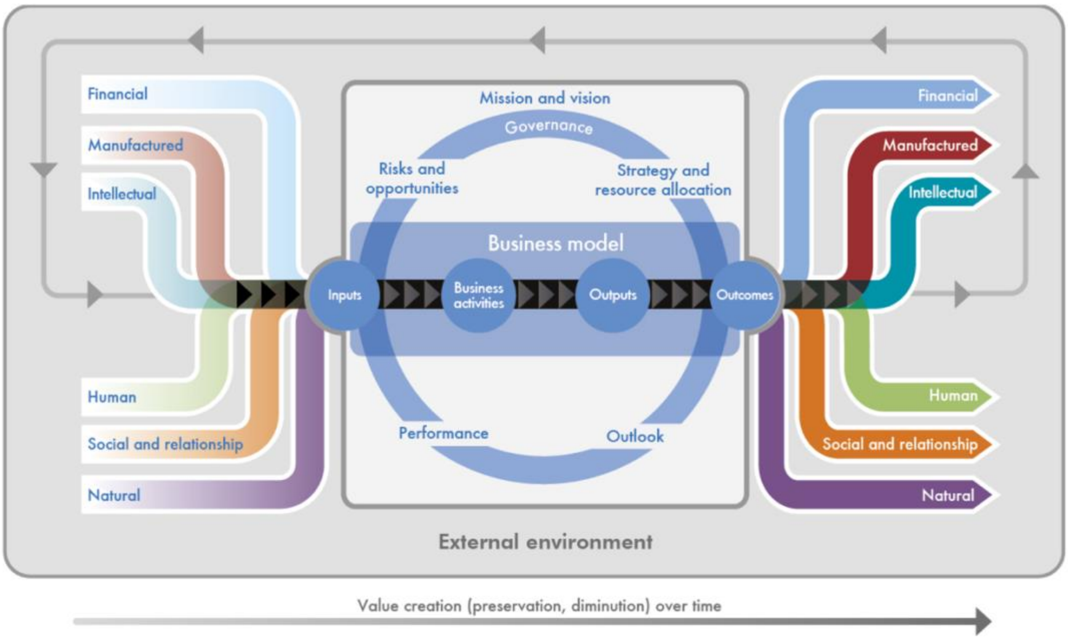


Figure 8: The Value creation process. The IIRR (The international IR Framework, 2013)

To get the balance between these elements, the starting point can be the use of the inside out approach to determine the material shared value that the company should address, scanning between the internal key factors and weaknesses, and after that, include the stakeholders in the process to complete the business model creation.
With the inside-out approach the company analyzes the primary and supportive activities, the key resources, the cost structure and the industry conditions. Looking at its operations, a company can start to think how to create shared value, following the guidelines indicated by Porter and Kramer. From these analyses it is possible to define what can be considered material for the company.
Once the areas in which the company operates are clearly identified with the inside-out approach, the following step is to include the stakeholder management, with the outside-in approach.
With the classification of the stakeholders and the selection of the most relevant ones, the company has multiple points of view to select which are the ESG issues to address and the objectives that should pursue in order to create shared value and to maximize the value generation for the firm.
To address the issue of the short-term vision of the two approaches, this model should be reviewed on a regular basis to be adapted to change of market conditions and stakeholders' interests, identifying risks and opportunities relevant to the organization, its strategy and its business model. Therefore the value creation process can't be defined as static, but it requires continuous revisions and refinements to improve all the components (IIRC, 2013).
To help companies to design a CSR strategy, institutions have developed sets of issues and goals that a company can select.

2.4.3.1. The United Nations Sustainable Development Goals

To design a CSR strategy, it is possible to select the goals provided by the United Nations with their 2030 Agenda for Sustainable Development. This Agenda, adopted by all the United Nations members, "provides a shared blueprint for peace and prosperity for people and the planet, now and into the future". "The Sustainable Development Goals are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including poverty, inequality, climate change, environmental degradation, peace and justice" (United Nations, s.d.). These goals have been designed to be applied by all the member countries, and could be used by both governments and companies. The target for the achievement of these goals is 2030. They are helpful to focus the CSR strategy around the most salient issues that the company could address, selecting among them the most material.

The goals identified by the United Nations address 17 topics (United Nations, s.d.):

1) No Poverty: end poverty in all its forms everywhere
2) Zero Hunger: Waste less food and support local farmers
3) Good Health and Well-Being: ensure healthy lives and promote well-being for all at all ages
4) Quality Education: Help educate the children in your community
5) Gender Equality: Empower women and girls and ensure their equal rights
6) Clean Water and Sanitation: ensure access to water and sanitation for all
7) Affordable and clean energy: use only energy-efficient appliances and light bulbs
8) Decent Work and Economic Growth: create job opportunities for youth
9) Industry, Innovation, and Infrastructure: fund projects that provide basic infrastructure
10) Reduce inequalities: Support the marginalized and disadvantaged
11) Sustainable Cities and Communities: bike, walk or use public transportation
12) Responsible Consumption and Production: recycle paper, plastic, glass and aluminum
13) Climate Action: act now to stop global warming
14) Life Below Water: avoid plastic bags to keep the oceans clean
15) Life on Land: plant a tree and help protect the environment
16) Peace, Justice and Strong Institutions: stand up for human rights
17) Partnerships: lobby your government to boost development financing

Figure 9: The United Nations Sustainable Development Goals (United Nations, s.d.)

2.4.3.2. SASB Materiality Map

Another relevant framework developed to identify specific sustainability issues that an organization should address is the SASB materiality Map, introduced by the Sustainability Accounting Standard Board.

The purpose of the SASB is to define a guideline for the disclosure of sustainability reports, helping businesses to identify, manage and report on sustainability topics.

SASB standard focus on financially material issues that a company should address and disclose in its reports, helping to select the sustainability topics that matter the most to the investors (Sustainability Accounting Standard Board, 2018).

While the other frameworks address in general environmental, social, governance (ESG) and sustainability issues, the SASB identifies the financially material ones, which are the one most likely to have direct impact on the financial conditions and operating performance of a company, and therefore are relevant for the investors.The SASB materiality map accounts 26 categories of sustainability issues, and show the degree of importance and materiality for companies in a specific industry, which are classified for 11 sectors and 77 industries. That every industry will have its own set of sustainability issues to consider. Being industry specific, SASB standards allows companies and investors to compare results of multiple organizations in the same industry

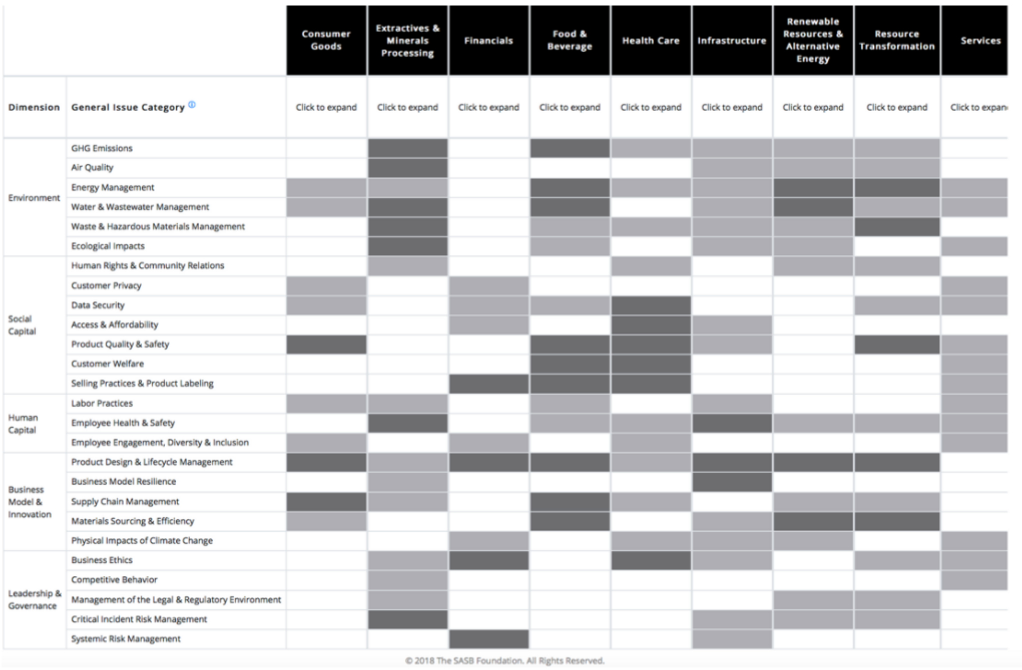


Figure 10: The SASB materiality map (Sustainability Accounting Standard Board, 2018)

2.4.3.3. The Materiality Matrix

The UN Sustainable Development Goals and the SASB Materiality map offer a set of objectives that a company could pursue. Also in this case, it would be impossible for a company to address all of them at the same time. It is necessary at this point to select the most salient ones, understanding which goals could represent an opportunity to create shared value for the company and the most relevant stakeholders. For this purpose, it is used the materiality analysis, a method to identify and prioritize the goals that are most material for the organization and more significant for the society (GRI STANDARDS, 2020).
The tool used for this analysis is the materiality matrix, which permits to place the goals/issues based on the two dimensions: one is the importance of the goal/issues to the organizations, considering what is the impact that it will have on the organization's success. The second dimension is the importance or attractiveness of the goal/issue to the stakeholders, and the influence they can have on the business success. (GRI STANDARDS, 2020)

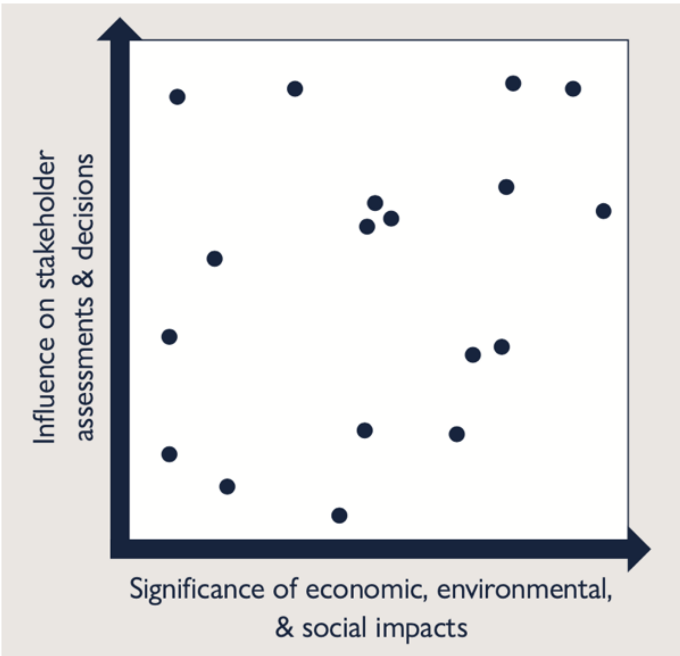


Figure 11: Materiality matrix, (GRI STANDARDS, 2020)

The goals/issues in the bottom-left corner are the less relevant for both company and stakeholders. The ones in the top left have a high stakeholder engagement, but are not relevant for the company, which is not investing it these topics.

The bottom-right corner contains the goals/issues material for the company, but with a low level of stakeholder engagement.
The most critical area is the top right corner, in which are identified the topics most material for the corporation's objectives, and most significant for society, with a high stakeholders' engagement. This is the area from where the topics should be selected in order to implement new CSR strategy, consistent with the goals of the company and matching the interests of the stakeholders.
The goals in this area require high resource commitment, as they require often major innovations. These kinds of innovations are typically high risky, and require substantial capital commitments. With a strong innovation and high stakeholder engagement, these goals can simultaneously improve financial and nonfinancial performance (Ebrary.net, s.d.)

With the materiality matrix it's possible to combine all the elements needed for the design of a CSR strategy, as it accounts the degree of stakeholders' engagement, the pre-existing presence of those topics in the previous business model of the company, the level of investments needed, and the relevance of disclosing reports based on the selected topics.
The materiality matrix is a tool that permits to address in a credible way the sustainability issues more relevant for the stakeholders, remaining in line with the existing strategy of the company. Therefore, it is an useful tool to build a solid CSR strategy, permitting to establish legitimacy and avoiding accusations of greenwashing.
The materiality matrix also sets the guideline for the creation of the sustainability reports.

2.5. Integrated reporting

To guide and promote CSR investments, and to allow companies to properly disclose the salient activities done to generate value over time, in 2009 the International Integrated Reporting Council (IIRC) started to develop a standardized framework for corporate reporting, mainly for private and for-profit companies, but valid for all the types of organizations. The IIRC is “a global coalition of regulators, investors, companies, accounting profession, academia and NGOs”, which “promotes communication about value creation” with corporate reporting (IIRC, s.d.).

The goal is to improve the quality of information available to investors, to guide an efficient approach to corporate reporting including the element that create value over time, enhance accountability and support “integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term” (IIRC, 2013)

For these purposes, the IIRC have developed a framework for corporate disclosure, the Integrated Reporting, a “concise communication about how an organization’s strategy, governance, performance and prospects…lead to the creation of value over the short, medium and long term” (IIRC, 2013).

With the Integrated reporting, an organization has to provide insights into its strategy, defining how it is able to generate value, highlighting the risks and opportunities and the ways to address them. The result should be a connected and holistic views about the internal and external factors that shape the organization’ value creation process. The Integrated reporting framework puts high emphasis on the relationship with the stakeholders, therefore organizations are required to explain how they understand and respond to stakeholders’ needs.

The IR framework puts lots of emphasis on the identification of the material topics for the company. Only what is material can really create value in the long term, and disclosing information about the material topics demonstrate the validity of the strategy. With the reliability principle defined by the framework, the organization should include in the report not only the positive material matters, but also the negative, to give a complete picture.

Focusing only on material aspects, the report will respect the principle of conciseness, and in this way can avoid generic disclosure that can be reconducted to greenwashing.

To help the measurement over the long time, the IR framework sets the principle of disclosing consistent and comparable information, in order to measure performance over time (IIRC, 2013).

Chapter 2 Conclusions

In this chapter have been analyzed the elements that companies considers developing a CSR strategy, choosing between internal and external factors that represent the stimulus for choosing to integrate CSR into the organization activities.

The application can be done following four types of strategy: the shareholder strategy, the altruistic strategy, the reciprocal strategy and the citizenship strategy.

The most evolved and complex one is the citizenship strategy, by which companies fully understand their responsibility towards the interests of society, and try to find best practices to satisfy them. To do so, companies often apply CSR strategies focusing on two opposite models, the inside-out and outside-in approach. The two approaches suffer from weaknesses, due to exclusion of the stakeholder consideration, with the inside-out approach, and the short-term vision, with the outside-in approach. To solve this issue, modern strategies have been shaped in order to find a balance between the two opposite strategies, and this summarizes into the concept of creating shared value, for companies and their stakeholders. Crating shared value is possible when there is an internal analysis of the organization, using frameworks to identify all the components that contribute to the value creation process, and including the needs of the stakeholders into the business model, prioritizing them on the basis of materiality and stakeholder influence.

To help the development of this process, and to guide the disclosure in a standardized way, several frameworks have been created, such as the UNSDG and the SASB materiality map, which indicates goals and issues that a company should aim to address with its strategy, and the Integrated Report framework, which sets the guidelines for the integrated thinking and for robust company disclosure.

In the next chapter some real life cases will be analyzed.

3. CSR Applications

3.1. Unilever

Founded in 1930, Unilever is a British multinational company that operates in the fast moving consumer goods industry, in four categories:

- Personal Care, with skin care and hair care, deodorants and oral care products
- Food, with soups, sauces, snacks, mayonnaise and salad dresings
- Refreshment, with ice cream, beverages, weight-management products, and specific nutritionally enhanced foods for the developing markets
- Home Care, with laundry products, soap and other cleaning products.

Operating in the retail sector, Unilever and its competitors have to face uncertainty periods due to geopolitical uncertainty and economic crisis, which could impact consumer confidence and spending. As stated by the CEO Alan Jope, the key to be successful in the market is to remain relevant to the consumers. This can be achieved by earning trust, operating in sustainable way with a multi-stakeholder business model, and exploiting the technological innovations in order to satisfy consumers in a more inventive way (Unilever, 2020).
Unilever started its journey in reducing its footprint applying first CSR strategies in the 1990s, when under the growing environmental pressure and consumer concerns, the company set up sustainable agricultural programs and promoted water-preserving initiatives. In 1997, in partnership with WWF, the fish related business division of the company committed to source 100% of fish from sustainable and certified fishers (Lenssen & Smith, 2019).

Unilever is one of the leading global consumer goods companies, operating in a fast-moving industry. As the industry evolves, companies have to be flexible in scanning the external environment to find new and better ways to satisfy their customers. New technologies are indeed changing the landscape of consumer goods market, as customers can now have access to the products in more diverse channel, where they can compare products and brands immediately.
Unilever commitment is also focused on addressing the needs of the different groups that compose the society: as they are becoming more diverse and fragmented, the products offered have to be

aligned with the requests of each group. Digital channels allow this more targeted marketing, and permits a stronger interaction with customers, but at the same time there is increasing concern about the way companies use the data they collect, and a wrong use of this resource could be negatively perceived. To eliminate this risk, companies are required to act in a responsible way by increasing the degree of transparency about the data privacy topic.

As we are now in a recognized environmental crisis, consumers are also increasing their sensibility towards social and environmental responsibility of companies when making a purchase decision.
To address these needs, and establish trust in the mind of consumers, Unilever made a clear commitment to reduce its environmental impact and to protect the planet, as the “cost of inaction far outweighs the cost of action” (Unilever, 2020). The strategy of Unilever is shaped by the belief that a sustainable business can drive better performances, and this can create long term value for the stakeholders. The Stated vision for Unilever is to be the global leader in sustainable business.
For this reason, Unilever’ business model is developed on three fundamental concepts:

- Brands with purpose grow. Unilever aims to improve people’s health, confidence and well being, while taking care about the health of the planet, and contributing to a more socially inclusive world.
- Companies with purpose last, as they are deliver long-term superior value, can serve people everywhere and
- People with purpose thrive, creating capability, unlocking capacity to grow and pioneering.

These elements are the basis of the Unilever Compass, which outline vision and purpose of the company’s strategy. This compass permits to achieve the following objectives:

- Winning with brands and innovation
- Winning in the market place
- Winning through continuous improvement
- Winning with people

Unilever developed its own materiality matrix, selecting the principal stakeholders to address with its strategy, and choosing which goals are more material and significant for each of them.

To create shared value, Unilever put together the inside out and outside in approach, analyzing the industry trends and exploiting its internal strengths to implement sustainability practices, in order to address the needs coming from the stakeholders. As declared by the company itself, stakeholders are at the heart of the strategy and business model, and engaging with them allows to understand the evolution of the needs.

Since 2009, Unilever has set a plan to allow the company to grow and prosper, but at the same time to tackle the global issues of the twenty-first century. To develop this plan, Unilever analysis started by observing the main megatrends, understanding that the traditional way of doing business was not anymore enough (Lenssen & Smith, 2019):

- Shifts in Markets: developing countries are gaining more attention, as the populations is consistently growing, reflecting in a strong market potential. At the same time these countries lack of stable incomes and access to water
- Shifts in Lifestyles: all around the world, the trend is showing an constant migration of people from rural areas to urban centers, improving the lifestyle. This concentration and change of living conditions represented a need to rethink the products and the distribution.
- Shift in Environment: concerns about environmental issues have become predominant in the past decades. Moreover, water scarcity, deforestations and climate change can affect supply chains.
- Shift in Stakeholder Empowerment: the shift toward globalization, and the access to digital systems empowered the citizens, which have gained more power to influence firm’s success. It is necessary to consider them to minimize the risk of reputation and to limit the demand for stricter regulations.

The outcome of this analysis made clear for Unilever the need to reshape its strategy, developing a business model that could include more people, secure the supply chain, produce better products and use less resources, while ensuring transparency of its activities. On the other hand, the company was aware of the potential of this plan to become a competitive advantage.
Unilever started then to develop a strategy that was considering sustainability at the core of all its activities, in order to ensure its success in the long term. The Unilever Sustainable Living Plan was launched the year after, in 2010, setting three clear targets (Unilever, 2020):

- “To help more than a billion people to improve their health and well-being”

- “to halve the environmental footprint of their products”
- To source 100% of its agricultural raw materials sustainably and enhance the livelihoods of millions of people across the value chain

In this way the company wanted to put in action a solid strategy to address the new megatrends and the increasing number of local competitors, using sustainability as the key element for strategic growth and risk management with a systematic and holistic approach. This was achieved integrating the strategy into the business in four ways (Lenssen & Smith, 2019):

- Within brands and categories, integrating sustainability in each brand
- Within R&D, driving sustainable innovations, and dedicating a portion of the budget to find new technologies to help achieve sustainability targets.
- Within its reward and measurement systems
- Through integrated governance system

Unilever’s actions were aligned to the ESG Value Driver Framework, investing in sustainability in areas that could represent new growth opportunities, reduce the risks and improve the return on capital.

3.1.1. Unilever’ Integrated thinking:

The Sustainability strategy of Unilever is the result of the iterations of five steps (Unilever, 2021):

1) Issue identification: every year Unilever refreshes the list of sustainability issues that are related to the company’s activities. 169 sustainability topics have been identified, categorized into the 19 issues. These issues can be current or potential business impacts from the internal or external operating environment. The research is done scanning the emerging sustainability trends, macro forces, competitor practices and global standards.
   The material risks identified by Unilever are Climate change, Packaging and waste, Ethics and Integrity, Talent and development, Sustainable innovation and technology, Trusted products and ingredients transparency, Tax and economic contributions, Responsible Marketing and advertising, animal testing and welfare, Data security and privacy, Biodiversity, Employee health safety and well-being, Governance accountability and culture, Health and hygiene,

Human rights, Water, Sustainable and responsible sourcing , social and economic inclusion, nutrition and diets. The issues are analyzed in depth to define the possible positive and negative societal impacts (Unilever, s.d.)

2) Issue prioritization: the issues priority is assessed based on their impact on the business and their importance to the stakeholders, placing them on the materiality map.
   The impact on the business is determined using the Unilever's Sustainable Business Value Framework, which allows the company to assess the potential impact of each goal on the business activities over the next 5 years. the impact on business is defined on the X-axis.
   The stakeholder importance is determined on the Y-axis.
   The issues are ranked receiving a score for each dimension, from 1 to 5, and the result is the Materiality Map below.

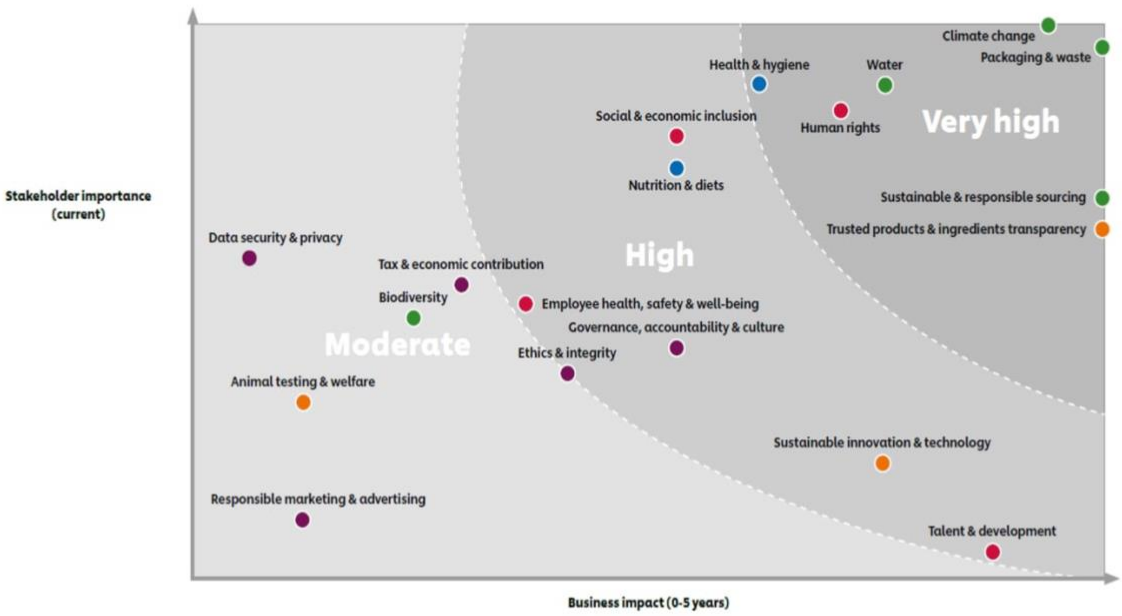


Figure 12: Unilever Materiality Map (Unilever, 2021)

3) Internal stakeholder engagement: the draft of the materiality map is judged by different groups of employees globally, with surveys and interviews, to validate the selection of issues. Then, the map is finalized and presented to the senior management for the approval. Employees cover an active role in the sustainability strategy of Unilever, not simply talking about the need for sustainability, but putting their expertise providing feedbacks and

insights on opportunities to integrate in the strategy. For this purpose the company developed the plan “Small Actions, Big Ideas”, to collect sustainable business ideas promoted by the employees. These Ideas are evaluated on the basis of the environmental benefit and financial returns. On the other hand, this helps employee to feel an active part of the plan development, increasing their engagement and satisfaction.

4) Disclosure, transparency and insight: the latest materiality assessment is consistent with the pre-existing strategy of the USLP, and the redesign of the materiality methodology permits to gather insights about the stakeholder concerns about the issues, helping the company to shape the disclosure and transparency on material topics.

5) The final step is to communicate the outcome of the assessment in the materiality matrix present in the reports disclosed by the company.

After the identification of the material issues, next step for Unilever is to take actions to pursue the desired targets. To implement a consistent CSR strategy, every year Unilever runs a new materiality analysis, to make sure the strategy is focusing on the right areas, to address possible changes in stakeholders needs, and to align these interests with the company’s operations.
Since the implementation of the USLP the topics have been reviewed multiple times, and in the latest years the results showed a more marked interests on environmental issues.
The result of this integration is the Unilever Sustainable Living Plan at the core of the company’s activities, radically reshaping the culture. The USPL performance are also linked to the employee’s KPIs systems, to measure how each department is active in contributing to the target’s achievements.

3.1.2. The Unilever Sustainable Living Plan

At the result of this process of integrate thinking, used by Unilever to identify the most critical areas for its business, the company have developed a strategy called the Unilever Sustainable Living Plan, to address seven issues. These issues become nine in 2013, when two additional points were added to encompass more human rights issues.

Goal	Issue	Target by 2020
1- Help more than a billion people to improve their health and well-being	1- Health and Hygiene	To help more than a billion people to improve their hygine habits, and to bring safe drinking water to 500 million people to reduce deseases
	2- Nutrition	Double the portion of the portfolio that meets the highest nutritional standards, helping people to achieve a healthier diet
2- Halve the environmental footprint of the making and use of the products as the business grows	3- Greenhouse gases	Halve the greenhouse gas impact of the products lifecycle
	4- Water	Halve the water used by customers when using the products
	5- Waste	Halve the waste associated with the disposal of the products
	6- Sustainable sourcing	Source 100% of agricultural raw materials sustainably
3- Enhance the livelihoods of millions of people	7- Fairness in the workplace	Advance human rights across the operations and extended supply chian
	8- Opportunities for women	Empower 5 millions of women
	9- Inclusive business	Have positive impact on 5.5 million people

An enormous effort was done by the company to ensure the achievement of these goals, including this responsible culture in all the areas of the organization. The USLP was not designed as a simple sustainability plan, but as a plan for a successful, sustainable business. The vision of Unilever about today's form of capitalism is that it is leaving too many people behind, so the strategy of the company has been shaped to address this issue, using the USLP. (Unilever, 2020) The aim for Unilever is to bring opportunities to people that interact with the company through its value creation process. People wants to work there because of the USPL, showing that a strong CSR strategy can help to attract employees, and motivate them to work better.

3.1.3. Unilever and the UN Sustainable Development Goals

Since the launch of the UN Sustainable development goals, Unilever has been promoting its application, as it is an “excellent vehicle for driving this change” (Unilever, s.d.)
Unilever helped the development of the post-2015 Development Agenda, to improve the ability of business to contribute achieving the SDGs. Unilever has aligned these goals with its USLP, and defined clearly how each of the topics is addressed by the company.

To create value for the consumers, Unilever focuses on the SDG 3: Good health & well-being, aiming to improve the living conditions of the 1.3 billion people in the developing countries. Unilever targeted these people with specific handwashing campaigns related to the use of their products, and improved the access to sanitation exploiting partnerships. The commitment to this goal is also applied internally to the company, as Unilever promotes safety, health and well-being programs to improve the health and well-being of its employees.
Still for the employees, Unilever creates value for them by focusing on SDG 5: Gender equality and SDG 8: Decent work & economic Growth. To pursue the first, Unilever committed to ensure gender equality and to modify harmful gender norms, offering opportunities, promoting human rights and developing skills. In 2019, 50% of Unilever’s management was composed by women, and the salaries are also equally distributed (Unilever, 2020). Regarding the SDG 8, Unilever aims to stimulate economic growth by growing its own business, but with the fundamental principle that this growth shouldn’t come at the expenses of the planet or people. So Unilever is exploiting its power through its supply chain, to ensure human rights are respected wherever the company operates.

A massive effort is done to create value for society at large, for which Unilever is committed to achieve a multitude of goals. Starting from SDG 1: No poverty, the company generates income and employment with its supply chain, generating income in the 190 countries in which the products are sold, and requiring fair wages for all the workers of the supply chain. The company is committed also to SDG 2: Zero hunger, ensuring the highest quality standards in its products, and establishing partnerships to distribute meals to countries affected by malnutrition. The partnership with the World Food Programme is an example. Another partnership with UNICEF was established for the achievement of SDG 6: Clean water & sanitation, to give access to toilet through behavior-change interventions to over 28 million people. Unilever brands are also increasing the access to water and soaps.

A strong effort from Unilever regards also the sphere of the environmental goals, addressed with SDGs 12,13,14 and 15.
The SDG 12: Responsible consumption and production, is fundamental for Unilever, which as a consumer goods company is aware of the challenges of the traditional model of consumption. With the commitment to this goal, Unilever aims to reduce the emissions and the use of resources necessary for the manufacturing process and packaging. The effort is primarily focused on the reuse of plastics of the packaging. The reduction of plastic and the increasing rate of recycling are also focused to achieve the SDG 14: Life below water, in order to preserve marine animals lives.
Positive effects from cost reductions are related to the application of practices to achieve the SDG 13: Climate action. Since 2008 Unilever have applied eco-efficiency strategies, which allowed the company to save over €733 million (Unilever, s.d.). The target set by the company is to become carbon neutral by 2030, and has established partnerships to avoid deforestation in activities related to its supply chain to purse SDG 15: Life on land.
Unilever’s strategy is measured though a set of measurable targets and KPIs to ensure it stays on track to pursue the goals.

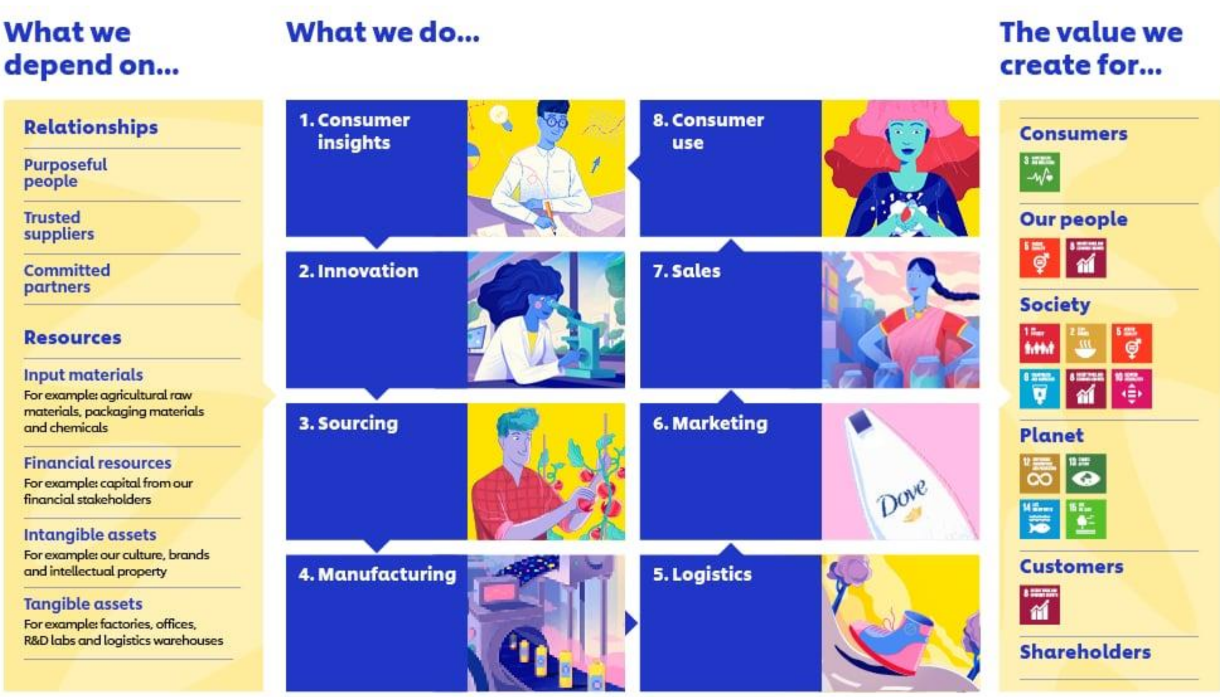


Figure 13: Multi-stakeholders Value Creation Model (Philips, 2021)

3.1.4. Reporting

The activities done by Unilever are continuously improved in quality, and disclosed with rigor and credibility of data. To ensure this, Unilever activities are audited by external independent companies, which examine the performances of the Unilever Sustainable Living Plan and other sustainability actions promoted. PwC and KPMG provided independent assurance on Unilever's activities, which in this way ensures good quality disclosure.

The company reports information matching the Integrated reporting guidelines, ensuring the information are meaningful and consistent, and the data reflects the real performance of the company. Every exclusion of information is stated clearly and explained, and all the methods used are transparent.

A big section of Unilever's Integrated report is dedicated to risk management, where are stated the possible risks for the company and the strategies to mitigate them. In this way the company avoids any possible accuse of greenwashing by faking the reports showing only the good results.

3.1.5. Achievements

The USPL plan built by Unilever set a clear path for the strategy, supported by clear goals and metrics. Unilever developed its own benchmarks and reformulated its agenda to reach the self-imposed sustainability goals.

The just ended 2020 has been the final year for the Unilever Sustainability Living Plan, and the company have disclosed its success in reaching the goals and learning new lessons, and at the same time has identified the failures, renovating the commitment.

Some of the objectives achieved on May 2020 are:

- 32%reduction in total waste footprint per consumer use since 2010
- Zero waste to landfill achieved in all factories
- 96%reduction in waste sent for disposal
- 1.8 million small scale retailers have had accesso to initiatives to improve their income
- 23% reduction in sugar across all the sweetened tea-based beverages
- 56% of the food portfolio meet the Highest Nutritional Standards
- 100% use of renewable electricity

Some of the efforts of the company were focused on reducing emissions in the manufacturing operations, reducing CO_2 emissions by 65% since 2008 and using 47%less water. But analysis showed a big impact of consumer contribution to the total emissions over the lifecycle of the product, which can't be directly modified by the company. Another failed target is that Unilever has not been able to reach the target of 100% sustainably sourced agricultural materials, but it has still improved from 14% in 2008 to 62% in 2020.

The sustainable strategy has been positively received by the consumers, and 28 Sustainable Living Brands (mainly Ben & Jerry's, Domestos, Dove, Hellmann's, Knorr, Lifebuoy, Love Beauty and Planet, Seventh Generation) have outperformed the growth of the other brands of the company, growing faster by 69% compared to the rest of the business since the introduction of the metric in 2014. These are strong evidences that brands with a purpose grow (edie, 2019).
The investments in CSR have been reducing costs for the company for an estimated amount of €6 Billions since 2017, and this result confirms the beneficial impacts of sustainability practices on the operation expenses. Growth in revenue has also been constant, with higher increase in developing countries, where the benefits of the products have been strongly recognized.

For unilever it was clear since before COVID-19 that the capitalist model and globalization are advancing at the expense of people and the planet, and it's responsibility of the company to act in order to preserve them, working together with NGOs, government organizations, academics, suppliers, customers and all the other stakeholders to build a new model of capitalism.
CEO Alan Jope renewed the company's commitment to fight social inequalities and climate crisis in the post-Covid world. The market of consumer goods account 8 billion people, and it requires a collective action to fight social inequalities and climate crisis. Unilever is convinced that achieving the targets of the SDGs will be good for the global economy and for business in general, as estimations of market opportunities reach 12 trillion a year, and could create up to 380 millions of new jobs (World Business Council for Sustainable Development, 2017). These estimation will be fundamental for the world development after the pandemic, and Unilever define this as once in a lifetime opportunity for companies to embrace the SDGs to redesign their structures.

3.2. Philips

Philips is a Dutch multinational conglomerate corporation founded in 1981 based in Amsterdam. It was one of the largest technology company, but since 2013 it refocused from customer electronics to health care and well-being businesses.

Philips operates in three main businesses:

- Diagnosis & Treatment businesses, with diagnostic imaging, image-guided therapy, ultrasound and enterprise diagnostic informatics. These businesses are focused on health technology, which allows customers to improve patient experience, and have better health outcomes and less costs of care.
- Connected care business, with monitoring and analytics, sleep and respiratory care, Therapeutic Care, Population Health Management and Connected Care informatics. The aim of this business activities is to improve patient health after the treatment.
- Personal Health businesses, with Oral Healthcare, Mother & Child Care, Personal Care and Domestic Appliances, is the last division of Philips, which is committed to improve the quality of living at home.

3.2.1. Philips' Strategy

To create Value for itself and for the stakeholders, Philips is focusing on three pillars (Philips, 2021):

- Better serve customers and improve quality
- Boost growth in core business
- Win with solutions along with the health continuum

The first imperative allows Philips to improve the customer experience, and gain excellence in operations and productivity, alongside with the digital transformation of the company. With the second target the company is committed to have growth opportunities exploiting new markets in different geographic areas, and to increase partnerships to consolidate the growth. With the last pillar, Philips intend to drive innovative, value-added solutions, supported by M&As, organic investments and partnerships.

The results of this sustainable strategy allow Philips to gain customer satisfaction, revenue growth, margin improvements and increased cash generation.

Philips strategy is shaped by a continuous scan of the external environment, in order to spot how external trends that could be relevant for the company, and to create value for society by exploiting them.

3.2.2. Stakeholder management

Following the outside in approach, Philips exploits the potential of the dialogue with the stakeholders to gain knowledge and increase the focus on the topics more relevant for them. Stakeholders' feedbacks are directly applied into the strategy of the company, in order to improve specific areas of the business, or to better define and plan actions.
The company is always open to collect insights and comments on issues by stakeholders, and this is possible due to specific email account created for this specific reason.

The main categories involved into Philips plans are the following:

- Employees: this category is constituted by European and local councils, and by individual employees. The feedbacks are collected through regular meetings, employee surveys, webinars and development processes
- Customers: the broad variety of products sold allows Philips to get insights from Hospitals, retailers and all the individual consumers that use their products. The plans to collect insights can vary from specific research project, to strategic partnerships, or using social media.
- Suppliers: these stakeholders are involved during training sessions, industry working groups and suppliers' forums.
- Government and municipalities: in this case the instruments used are meetings, policy and legislative developments, business development.
- NGOs: among the others, UNICEF, International Red Cross, Friends of the Earth and Greenpeace. These entities are involved in multi-stakeholder projects, research projects, innovation challenges, renewable projects and social investment programs.
- Investors: Mainstream investors and ESG investors interact with the company though webinars, roadshows, capital markets day, investor relations and Sustainability accounts (Philips, 2020)

3.2.3. Materiality matrix

To combine the outside in with the inside out approach, Philips uses the Materiality matrix to identify the environmental, social and governance topics that have the greatest impact on the business, and have the highest level of concern from the selected stakeholders.
With dedicated in-depth data analysis, Philips collects data from a broad variety of stakeholders and from publicly available sources, to convert them in information useful to identify the most relevant issues and their level of materiality, following the approach of the GRI Sustainable Reporting Standards.

The key material topics identified by Philips are the following:

Environmental	Societal	Governance
- Climate change - Energetic efficiency - Circular economy - Waste management	- Access to (quality and affordable) care - Employee rights - Employee wellbeing, Health & Safety - Human Rights and Responsible Supply Chains - Fair and inclusive workplace - Talent and Development	- Business ethics and General Business Principles - Product responsibility and safety - Competition and market access - Geopolitical events - Big Data and Privacy - Innovation and research - Sustainable Value Creation

Figure 14: Philips Group, Key Material Topics

Also in this case the matrix maps on the X-axis the most material topics for the company, ranked by internal importance, while on the Y-axis it's measured the external importance.
This combination of inside out and outside in approach allows the company to focus on the most relevant topics and gain the most out of its CSR strategy.

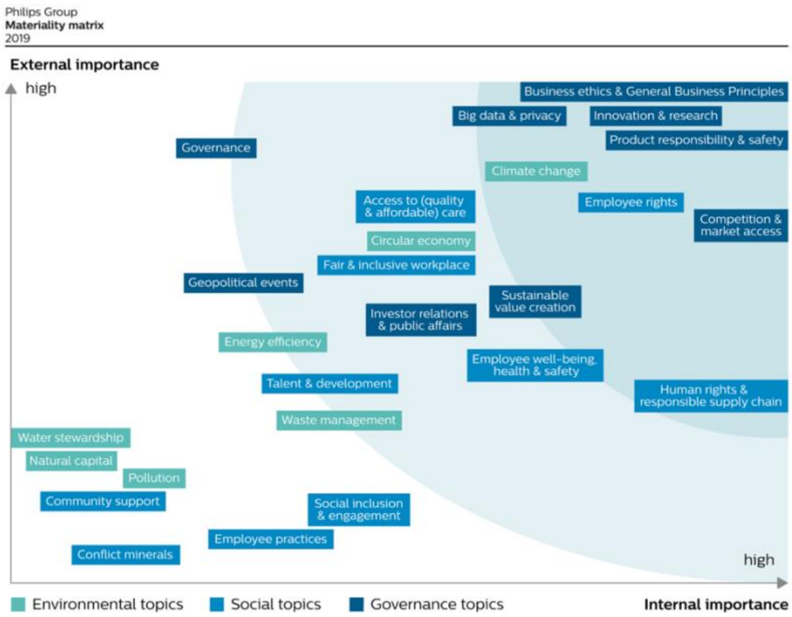


Figure 15: Philips Group Materiality matrix 2019 (Philips, 2020)

3.2.4. CSR commitments of Philips

Analyzing the results of the materiality Matrix, Philips have identified the most material topics, and has aligned them around the UN SDG.

Philips is committed to improve the lives of 3 billion people a year by 2030, by providing support in the curative or preventive side of people's health with its products (Philips, 2020). This effort is aligned around the UN SDG3: Ensure healthy lives and promote well-being for all at all ages.

The result achieved in 2019 has been 1.64 billion lives improved, growing by 100 million from the previous year. Strong effort from the company is aimed also to serve 400 million people by 2030 which at the moment are in communities with critical needs and limited access to healthcare. At the moment, the company declared to have improved with its well-being solutions the lives of 194 million people in these underserved markets.

To ensure a healthy life it is necessary also a healthy environment, therefore Philips is committed as well to contribute to the ecological dimension by increasing their Green Products or Solutions Portfolio, contributing to the UNSDG 12: ensure sustainable consumptions and production patterns. For this reason, in 2016 the company launched the plan "Healthy people, Sustainable Planet" with actions to address the environmental challenges and targets to be achieved by 2020.

The efforts done by Philips to contribute to these UN SDG are synthetized in their plan for Green Innovation, which accounts the actions and spending for the development of new generations of

Green Products and Solutions and Green Technologies. With these innovations the company pushes its boundaries to improve further people's lives (SDG 3), with a sustainable production and consumption (SDG 12 and SDG 13). To achieve strong results, Philips is establishing Partnerships with multiple leading care providers (SDG 17).

Figure 16: Doing business responsibly and sustainably (Philips, s.d.)

Investments in Green Innovation amounted to 100 Millions of Euros in 2019 for the Diagnosis and Treatment businesses, mainly focused in reducing environmental impact, energy efficiency, and improvements in the workflow. On the Connected Care business, Philips invested 21 millions of Euros in 2019 to lower the environmental footprints by reducing materials used for the production and use of its health solutions. 99 millions of Euros have been spent in 2019 for high R&D investments related to the Green Innovation in the Personal Health businesses, mainly to increase the number of recycled materials used for the products and packaging, and to make the products themselves suitable for multiple usages.

These Green Innovation investments done in the years have been contributing to the profitability and growth of the company, mainly in the Green Focal Areas. In the last three years Philips have recorded a steadily growth in revenues, accounting 13.1 billion of Euros in 2019, the 67.2% of sales, compared to the 60% of 2017 (Philips, 2020).

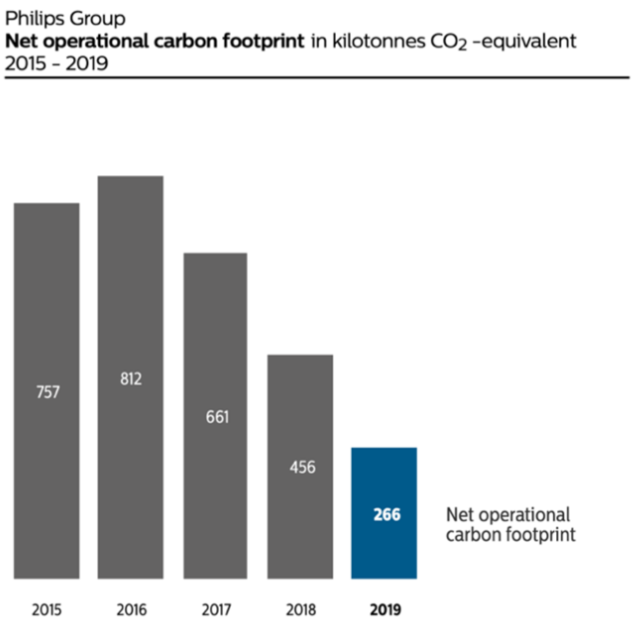
The actions to increase environmental sustainability implemented by Philips are focused on the fight of the climate change, by improving the recycling process of waste, reducing water consumption and reducing emissions. All these actions are taken with a drastic rethinking of the business model.

The target is to become carbon neutral, and the first objective set was to become fully sourced by renewable energy by the end of 2020. Strong commitment is also aimed to achieve ambitious emission reduction targets to limit global warming. In this way Philips contribute to the decarbonization required to keep the global temperature increase below two degrees Celsius.

The effort led to a reduction of 10% in kilotons of carbon dioxide-equivalent in 2019, compared to the levels of the previous year. The main contribution to the achievement of this target was given by the increased use of electricity from renewable sources and a significant reduction in air freight. Philips reports about emissions are disclosed in compliance with the Greenhouse Gas Protocol (GHGP). Mixed results came from the business travel emissions, which recorded a reduction from air travels, but an increase in emission from the car fleet. Contributions to the goal were given also by the decreased emissions from logistic operations.

The achievement of carbon neutrality is only partially achieved by reductions in emissions, but it still requires effort in compensating the emission with parallel initiatives. For this reason, Philips engaged in initiatives to provide safe drinking water in Uganda and Ethiopia, reducing mortality and risks of diseases. In this way less wood is required to boil water, bringing down deforestation rate and air pollution. A similar initiative was driven in Kenya, where Philips financed highly efficient cookstove to reduce the wood required for cooking, bringing down emissions and respiratory diseases caused by indoor air pollution.

Renewable energy projects are in place in India, where Philips supports plans to provide energy to 50,000 households. With these projects Philips also provides mobile medical units to 24 villages.



Philips strategy is focusing in a constant process of innovation, and to make this possible the company aims to get the best human resources to push innovation. Specific plans to identify and improve employees' capabilities are allowing the company to give more value to their resources.
At the same time, Philips workforce is composed by a rich diversity of people and cultures, to get the most out of the diversity. The gender diversity is at the moment one of the target that the company is aiming to reach, as the proportion of female executives is far below the 50%, with a slightly growing trend recorded in the past three years (Philips, 2020).

3.2.5. Integrated reporting

Philips have started to disclose environmental reports in 1999, which was extended in 2003 when the company launched its first sustainability report, providing investors with the social and economic performance, alongside with the environmental results. The next step toward integrated reporting has been in 2008, when Philips decided to disclose all the company's information into one single document, including all the financial, social and environmental performances of the company.
The Integrated Reporting is created in conformity with the guidelines provided by the IIRC with their framework, disclosing sustainability information respecting the GRI Standards.
Philips dedicates attention to both positive and negative results, allowing investors and stakeholders to get a complete picture of the company status. Risk management is also shown in the report, showing the factors that could undermine future firm's performance, and the actions taken to mitigate these risks.
The performances and results disclosed in Philips' integrated report have been audited internally, by the Audit Committee of the Supervisory Board, and externally, by the independent company Ernst & Young.

3.3. Covid-19 and CSR guidelines

2020 will be remembered as one of the worst years in history. The main event that shaped the lives of everyone of us in of course the spread of the Covid-19 pandemic, which caused a radical rethink of the lifestyle for all the people on hearth. The pandemic has caused human suffering and have destabilized the global economy.Trying to find a positive aspect of this unthinkable event, it has been defined as a "unprecedented wake-up call for all the inhabitants of Mother Hearth" by the United Nations Secretary-General Guterres. It was indeed due to this catastrophic event that the humanity started again to work together to find solutions to save lives, to ease suffering, and to mitigate the economic and social consequences caused by the pandemic. From Covid-19 experience, people have realized that they are not isolated from the world around them. This event could be considered as a starting point to develop a more sustainable future. At the same time, people awareness about the environmental issues have been raised.

The United Nation have been promoting green transition through investments, that could grant at the same time new job opportunities and sustainable growth, by redesigning their guidelines for the application of their United Nation Sustainable Development Goals. UNSDG will be vital for a recovery that could lead to greener, more inclusive economies, and resilient societies.

The new guidelines can be synthesized as follow:

Goal 1: No Poverty. An estimation from the United Nation Development program accounts losses for 220 Billions of dollars in developing countries, where the 55% of the world's population already have limited access to social protection. The impact of these losses will create a more difficult living condition for these people. Considering that 75% of them have limited access to clean water and soap, and the urban centers in which they live are often overpopulated, the pandemic finds a favorable environment in which can spread. The consequences will affect education, human rights, basic food security and nutrition. The call to action from the UN regards three main areas: providing "resources to stop the spread of the virus, support to respond to the outbreak itself, and resources to prevent the economic collapse of developing countries" (United Nations Development Programme, 2020). United Nations have been developed a specific framework of initiatives for immediate socio-economic response to Covid-19, and implemented the "UN Covid-19 Response and Recovery Fund" to provide direct support in low and middle income countries.

Goal 2: Zero Hunger. With 135 millions people suffering from acute hunger, the number could double due to the pandemic. The World Food Programme already offers food assistance for 87 millions of people, and have developed an analysis on the impact of the pandemic on the word's poorest countries (World Food Programme, 2020). The risks highlighted are related to the effects of Covid-19 on the food and agricultural sector, and the report shows the urgent measure to ensure the safety of the food supply chain, in order to mitigate shocks that could impact all the countries on hearth, especially the poorest ones. The World Food Programme exhorted countries and organizations to give immediate food support to the vulnerable populations, boost social protection programs, ensuring the global food trade, keep the domestic supply chains working, and support farmers to increase local production. The United Nations included guidelines to support food insecurity for the most vulnerable people in its Global Humanitarian Response Plan (United Nations, 2020)

Goal 3: Good Health and Well-Being. Especially during a pandemic, this topic gains extreme importance. The primary effort to ensure the Goal 3 have been done by the World Health Organization, which has been leading the global efforts to fight Covid-19. Their Strategic Preparedness and Response Plan outlined the measures to control the pandemic during the first months from its discovery. Covid-19 Solidarity Response Fund have been instituted to collect donation to support the fight to the virus. WHO also provides support for mental health during the pandemic, to support several categories of people, from workers and managers to people in general, to overcome the isolation and restrictions. United Nations identified high levels of disparities in counties' ability to cope with and recover from the Covid-19 crisis, showing the urgency to invest in critical public services (United Nations Development Programme, 2020).

Goal 4: Quality Education: the spread of the pandemic all over the world have forced governments to enforce lockdowns and restrictions that limited also the activities of schools. All students have been following lectures remotely, using digital supports not often reliable or available. The efforts done in the years to grant education to everybody have faced a new big obstacle, that could slow down the gains in improving global education. Since March 2020 UNESCO launched the Covid-19 Global Education Coalition, which is supported by governments and companies to close the digital gaps affecting education. The objectives of the plan are to mobilize and implement technological resources to allow remote education, to make it universally accessible. This coordination avoided overlapping actions. The efforts are also aimed to facilitate the return of students to school.

Goal 5: Gender Equality. The numerous efforts done over the years to gain gender equality and women's rights could be in danger due the Covid-19 pandemic, as the fast reactions and choices could leave behind women's rights. That's why the United Nations guidelines put women at the center of the decision making processes for sustainable development to recover from the pandemic. UN have developed precise responses to the impact of Covid-19 putting women at the center, to ensure long term benefits to their condition, and the pandemic could represent an opportunity to rebalance historical inequalities. The targets are focused on reducing gender-based violence, to give social protection and economic stimulus packages for hiring women, ensure an equal treatment at work. Women will have to cover a central role in the decision making, and also data and strategies have to consider gender perspectives.

Goal 6: Clean Water and Sanitation. As the primary element for preventing spread of diseases, clean water has gained an even more important role during the pandemic. Access to clean water has to be ensured to preserve the health of millions of people, as it can help limiting the spread of the virus. United Nations SDG 6 requires a combined effort to provide poor countries with better systems to obtain clean water.

Goal 7: Affordable and Clean Energy. With the increasing need for energy to prevent and treat disease and fight the pandemic, there is once more the opportunity to push in the right direction the generation of energy using clean sources. With poor countries without access to electrical energy, it is vital to give support implementing new systems of energy generation, that can grant access and reliability of service for hospitals and houses. To respond to Covid-19 emergency, the UN have defined an action plan to ensure energy for critical services, prioritizing power for health clinics, vulnerable consumers, and then to increase reliability and continuity of service, mainly powered by sustainable sources to ensure a better recovery.

Goal 8: Decent Work and Economic Growth. Covid-19 is disrupting economic growth, causing the beginning of a new recession, with millions of job losses and a review of the estimated prospects of growth by the International Monetary Fund. United Nations have released a framework for immediate socio economic response to Covid-19, that requires commitment from all governments and organizations to grant five elements: ensuring access to essential health services, helping people to cope with adversity though social protection and basic services, protecting jobs and supporting enterprises, ensuring financial stimulus and promoting social cohesion.

Goal 9: Industry, Innovation and Infrastructure. Covid-19 revealed inefficiencies in the technological infrastructure of multiple countries, requiring radical interventions to adequate them to the needs of digital information and communication necessary for driving business during the pandemic. The digitalization of several branches of business and services, the smart working, and the education are a direct consequence of the pandemic. Once again, this can become the stimulus for radical innovations through sustainable investments, that will become crucial to accelerate the economic recovery.

Goal 10: Reduced Inequalities. Like for Gender Equality, Covid-19 is undermining the results achieved over the years to reduce inequalities between regions. The pandemic caused raise in global unemployment, and reduced workers incomes, especially in the poor countries. The UN are promoting initiatives to reduce the inequalities, and the Covid-19 Response and Recovery Fund should contribute to the cause.

Goal 11: Sustainable Cities and Communities. Covid-19 impact is impacting more on the most crowded urban centers, especially in the poor and overpopulated countries. The UN response plan, designed by the UN-Habitat, the UN agency for housing and urban development, aims to support local governments, provide urban data and knowledge for informed decision, and mitigate the economic impact and initiate recovery.

Goal 12: Responsible Consumption and Production. Covid-19 emergency contributed to raise awareness about the fragile relationship between people and nature. Individuals are now understanding that our planet have limited resources, and we need to act in order to live in balance with it. The post-Covid world should be designed to respect this equilibrium, by reducing waste and reuse materials.

Goal 13: Climate Action. CO_2 and other greenhouse gasses have been reaching their maximum heights before the pandemic. With the beginning of the pandemic, these levels have seen a slight decrease, mainly due to the reduced mobility (Nature, 2020). To continue this trend, United Nations have proposed a set of six positive actions: Green transition, with investments in decarbonization; Green jobs and sustainable inclusive growth; Green Economy; Investments in sustainable solutions; Confront all climate risks and Cooperation. The radical changes brought by the pandemic can represent the right moment to apply the systemic shifts.

Goal 14: Life Below Water. As well as SDG 12 and SDG 13, the pandemic can be the right moment to promote investments to revive the oceans and start building a sustainable ocean economy, to conserve and correctly use the world's ocean, seas and marine resources. The pandemic has given a breathing moment to marine environment, with the temporary shut-down of certain activities, which should be the starting point for a recovery.

Goal 15: Life on Land. As emerged with the Covid-19, the need to control the interaction between humans and wildlife should be a primary concern. As study from the United Nations Environment Programme (UNEP) from 2016 flagged the increase of zoonotic diseases (transmitted from animals to humans), which accounted the 75% of all the emerging infectious diseases (United Nations environment programme, 2016). The reasons for this growing number are related to the deforestation, the intensified agriculture, the illegal and poorly regulated wildlife trade, the climate change, and the antimicrobial resistance.
The urgency to address these problems are the bases for the Decade on Ecosystem Restoration (2021-2030), which will be a coordinated global response to the degradation of the habitats.
The plan is to help nations to manage Covid-19 waste, delivery a transformational change for nature and people, ensure economic recovery and modernize global environmental governance.

Goal 16: Peace, Justice and Strong Institutions. The pandemic response will cause strong changes, but the human rights will have to be preserved as a key element for the governments and organizations. The Covid-19 response will have to be designed around human rights to ensure a valuable outcome. Requests to stop wars around the world are once again renewed, as the efforts of humanity should be all concentrated to fight the only war against Covid-19

Goal 17: Partnerships for the Goals. The goal 17 is a way to achieve all the others, as only with global cooperation the objectives can be achieved. The post Covid-19 development agenda requires inclusive partnership at all levels, to share visions between people and organizations for the recovery from the pandemic. Countries alone could not be able to overcome the pandemic, and global cohesion and solidarity is the only way to response to this threat. Partnerships are also fundamental more than ever to protect and support the most vulnerable populations, which don't have sufficient resources.

Conclusions

As in 2020 ESG topics reached new highs due to the raise in awareness of the majority of companies, 2021 will be a crucial year for the regulations on disclosure. With this new rush toward sustainability, it will be harder for stakeholders to distinguish real efforts done by companies from the greenwashing practices. The consequence could be the concentration of investments in companies that are simply better than others in disclosing their activities, leaving behind smaller firms highly involved in sustainability, but with less attention in disclosure.

It will be determinant for investors to have the right tools to understand what are the real actions that companies take, making sure to analyze what are the activities they disclose in their reports, and what they are hiding but should receive attention.

That's why in 2021 it's expected to be a turning point in terms of ESG data and disclosure to increase transparency. After the introduction of the SDGs in 2015, another milestone for sustainability will be the introduction of the EU Sustainable Finance Disclosure Regulation (SFDR), which aims to put sustainability at the core of the EU financial system. SFDR will require asset managers to outline how sustainability topics are integrated into their investment decision making process. SFDR is set to become a compliance requirement, as client's demand for greater transparency around how companies take ESG factors into account. The launch of the SFDR is planned for 2021, with first mandatory reports in 2022.

If, as expected, transparency will arise, firms that can demonstrate the authenticity of their actions will prevail. Especially after the Covid-19 crisis, companies that do not consider ESG issues in a consistent way, both at the management level and withing their investment process, risk to be left behind.

Bibliography

Arrow, K. (1973). Social responsibility and economic efficiency. *Public Policy, 21*, 303-317.

Barney J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*.

Baron J., Bazerman M., & Shonk K. (2006). Enlarging the Societal Pie Through Wise Legislation. *PERSPECTIVES ON PSYCHOLOGICAL SCIENCE*.

Barrios, J., Fasan, M., & Nanda, D. (2014). *Is Corporate Social Responsibility an Agency Problem? Evidence from CEO Turnovers.* Retrieved from SSRN: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2540753

Beschorner, T., & Hajduk, T. (2017). Creating Shared Value. A Fundamental Critique.

Bhattacharjee A., & Dana J. (2017). Anti-Profit Beliefs: How People Neglect the Societal Benefits of Profit. *Journal of Personality and Social Psychology, 113*(5), 671-696.

Bowen H. (1953). *Social responsibilities of the businessman.*

Campbell, J. (2007). Why would corporations behave in socially responsible ways? an institutional theory of corporate social responsibility. *Academy of Management review, 32*, 946-967.

Carrol, A. (1991). The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders. *Business Horizons 34(4)*, 39-48.

Carroll A.B. (1979). A Three-Dimensional Conceptual Model of Corporate Performance. *Academy of Management Review 1979, Vol. 4,*, 497-505.

Carroll A.B. (1983). CSR: Will Industry Respond to Cutbacks in Social Program Funding. *Vital Speeches of the Day 49*, 604-608.

Carroll A.B. (1991). The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders. *Business Horizons*.

Carroll A.B. (1999). *Corporate Social Responsibility: Evolution of a Definitional Construct.*

Carroll A.B. (2008). A History of Corporate Social Responsibility: Concepts and Practices. *The Oxford Handbook of Corporate Social Responsibility*.

Chaffee E.C. (2017). The origins of corporate social responsibility. *University of Cincinnati Law Review, 85*, 347–373.

Clarkson M. (1995). A Stakeholder Framework for Analyzing and Evaluating Corporate Social Performance. *The Academy of Management Review Vol. 20*.

Clarkson M.E. (1995). A stakeholder framework for analyzing and evaluating corporate social performance. *Academy of Management Review, 20*, 92-117.

Commission of the European Communities. (2001). *Green Paper.* Brussels: Commission of the European Communities.

Committe for Economic Development. (1971). Social Responsibilities of Business Corporations. *A statement by the research and policy committee.*

Crane, A., & Palazzo, G. (2014). Contesting the Value of 'Creating Shared Value'. *California Management Review*.

Davis K. (1960). Can Business Afford to Ignore Social Responsibilities? *California Management Review, 2*.

Davis K. (1973). The Case for and against Business Assumption of Social Responsibilities. *Academy of Management Journal, 16*, 312-322.

Davis K. (1973). The Case for and against Business assumptions of social responsibility. *Academy of management journal, 16*, 312-323.

Davis K., & Blomstrom R.L. (1966). *Business and its environment.* New York: McGraw-Hill.

Deegan C. (2002). Introduction: the legitimising effect of social and environmental disclosures-a theoretical foundation. *Accounting, Auditing & Accountability Journal, 15*, 282-311.

Dictionaries, O. L. (n.d.). Retrieved from https://www.oxfordlearnersdictionaries.com/definition/american_english/philanthropy

Dowling J., & Pfeffer J. (1975). Organizational legitimacy: Social values and organizational behavior. *Pacific Sociological Review*, 122-136.

Drucker, P. (1946). *The Concept of the Corporation.* New York: John Day Company.

Eberstadt N. (1973). What History Tells us about Corporate Responsibilities. *Business and Society Review/Innovation*.

Ebrary.net. (n.d.). *THE CURRENT STATE OF MATERIALITY MATRICES*. Retrieved from Elibrary.net: https://ebrary.net/8551/marketing/current_state_materiality_matrices

Eccles, R., Ioannou, I., & Gerafeim, G. (2011). The Impact of Corporate Sustainability on Organizational Processes and Performance. *Management Science, 60*.

edie. (2019). *Sustainable Living Brands delivered record 75% of Unilever's 2018 turnover growth*. Retrieved from edie.net: Sustainable Living Brands delivered record 75% of Unilever's 2018 turnover growth

Eells R., & Walton C. . (1974). *Conceptual Foundations of Business, 3rd edition.*

Elkington, J. (1998). Partnerships from Cannibalswith Forks: The Triple bottom line of 21st Century Business. *Environmental Quality Management*.

Fernando S., & Lawrence S. (2014). A theoretical framework for CSR practices: Integrating legitimacy theory, stakeholder theory and institutional theory. *The Journal of Theoretical Accounting 10.1*, 149-178.

Fitch H.G. (1976). Achieving Corporate Social Responsibility. *Academy of Management review, Vol.1 n.1*.

Florea L. (2013). For All Good Reasons: Role of Values in Organizational Sustainability. *Journal of Business Ethics 114*.

Freeman R. E. (1994). The politics of stakeholder theory: Some future directions. *Business Ethics Quarterly, 4*, 409-421.

Freeman R.E. (1984). *Strategic Managements: a Stakeholder Approach.* Boston: Pitman Publishing Inc.

Freeman R.E. (2018). *STAKEHOLDER THEORY Concepts and Strategies.* Cambridge University Press.

Friedman M. (1970). Social responsibility of business. *New York Times Magazine*.

Galbreath, J. (2006). Corporate social responsibility strategy: strategic options, global considerations. *CORPORATE GOVERNANCE VOL. 6 NO. 2* , 175-187.

Goodpaster K.E. (1991). Business Ethics and Stakeholder Analysis. *Business Ethics Quarterly Vol. 1, No. 1*, 53-73.

GRI STANDARDS. (2020). *CONSOLIDATED SET OF GRI SUSTAINABILITY REPORTING STANDARDS 2020.*

Hart S.L. (1995). A Natural-Resource-Based View of the Firm. *The Academy of Management Review Vol. 20, No. 4* , 986-1014.

Heald M. (1970). *The social responsibilities of business: company and community 1900–1960.*

Hopkins M. (2007). *Corporate Social Responsibility and International Development.*

IIRC. (2013). *The international IR Framework.*

IIRC. (n.d.). *The IIRC*. Retrieved from Integrated Reporting: https://integratedreporting.org/the-iirc-2/

Jankalova M. (2015). Approaches to the evaluation of Corporate Social Responsibility. *3rd Global conference on Business, Economics, Management and Tourism.*

Jensen M. C., & Meckling W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*, 305-360.

Johnson H.L. (1971). *Business in contemporary society : framework and issues.*

Kang Y., & Wood D.J. (1995). Before-profit Social Responsibility: Turning the Economic Paradigm Upside Down. *Proceedings of the Sixth Annual Meeting of the International Association of Business and Society*, 408-418.

Kell, G. (2018, Jul 11). *The Remarkable Rise Of ESG.* Retrieved from Forbes: https://www.forbes.com/sites/georgkell/2018/07/11/the-remarkable-rise-of-esg/?sh=4ec51ad41695

Khan, M., Serafeim, G., & Yoon, A. (2015). Corporate Sustainability: First Evidence on Materiality. 1697-1724.

Kramer, M. R., & Porter, M. . (2011). *Creating shared value (Vol. 17).*

Latapì Agudelo, M. A. (2019). A literature review of the history and evolution of corporate social responsibility. *International Journal of Corporate Social Responsibility*.

Lenssen, G., & Smith, N. (2019). *Managing Sustainable Business.* ABIS.

Levitt T. . (1958). The Dangers of Social Responsibility. *Harvard Business Review, 36*.

Liang H., & Renneboog L. (2016). On the foundations of corporate social responsibility. *The Journal of Finance*.

Manne H., & Wallich H. (1972). *The Modern Corporation and Social Responsibility.*

Mathews M.R. (1993). Socially responsible accounting.

McWilliams A., & Siegel D. (2001). Profit-Maximizing Corporate Social Responsibility. *The Academy of Management Review, Vol. 26, No. 4*, 504-505.

Mellahi K., Frynas J.G., & Sun P. (2015). A Review of the Nonmarket Strategy Literature Toward a Multi-Theoretical Integration. *Journal of Management*.

Mitchell R.K. (1997). Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts. *Academy of managment review 22*, 853-886.

Muirhead S.A. . (1999). Corporate Contributions: The View from 50 Years. *New York: The Conference Board*.

Murphy P.E. (1978). Corporate social responsiveness : an evolution. *University of Michigan business review Vol. 30*, 19-25.

Nature. (2020). *Temporary reduction in daily global CO2 emissions during the COVID-19 forced confinement*. Retrieved from https://www.nature.com/articles/s41558-020-0797-x

Neville, B., Bell, S., & Whitwell, G. (2011). Stakeholder Salience Revisited: Refining, Redefining, and Refueling an Underdeveloped Conceptual Tool. *Journal of Business Ethics Vol. 102, No. 3* .

Orlitzky M., Schmidt F.L., & Rynes S. (2003). Corporate social and financial performance: A meta-analysis. *Orgnization studies,24*.

Palmiter A.R. (2009). *CORPORATIONS (providing a historical overview of the corporate form).*

Pater, A., & Van Lierop, K. (2006). Sense and sensitivity: the roles of organisation and stakeholders in managing corporate social responsibility. *Business Ethics: A European Review*.

Philips. (2020). *Annual Report 2019.*

Philips. (2021). Retrieved from About Our Strategy: https://www.unilever.com/sustainable-living/our-strategy/about-our-strategy/

Philips. (n.d.). *Doing business responsibly and sustainably*. Retrieved from https://www.philips.com/c-dam/corporate/en_AA/about/sustainability/sustainability-final.pdf

Preston L., & Post J. (1975). *Private Management and Public Policy: The Principle of Public Responsibility.*

Rai T., & Diermeier D. (2015). Corporations are cyborgs: Organiza- tions elicit anger but not sympathy when they can think but cannot feel. *Organizational Behavior and Human Decision Processes, 126*, 18-26.

Rasche A., & Waddock S. (2017). *Standards for CSR: Legitimacy, Impact and Critique.*

Reuven S. . (2005). The Cyclical Transformations of the Corporate. *A Historical Perspective on CorporateSocial Responsibility, 30*, 767-772.

Salancik G. R., & Pfeffer J. (1978). A social information processing approach to job attitudes and task design. *Administrative Science Quarterly*, 224-253.

Schmidt E. (2011). The nonprofit corporation statutes are the product of the nineteenth century , NONPROFrT . *Nonprofit Law: The life cycle of a charitable organization 14*.

Segerson K., & Miceli TJ. (1998). Voluntary environmental agreements: Good or bad news for environmental protection? . *Environ. Econom. Management 36*, 109-130.

Serafeim G. (2015). Integrated Reporting and Investor Clientele. *Journal of Applied Corporate Finance, 27*.

Sheehy B. (2015). Defining CSR: Problems and Solutions. *Journal of Business Ethics 131*, 625–648.

Smith A. (1776). *The wealth of nations.*

Sustainability Accounting Standard Board. (2018). *Standard Overview*. Retrieved from Sustainability Accounting Standard Board: https://www.sasb.org/standards-overview/materiality-map/

UNEP Finance Initiative. (2005). *A legal framework for the integration of environmental, social and governance issues into institutional investment.*

Unilever. (2020). *Ten years of sustainable living*. Retrieved from https://www.unilever.com/sustainable-living/ten-years-on/

Unilever. (2020). *Unilever Annual Report and Accounts 2019.* Unilever.

Unilever. (2021). *Defining our material issues*. Retrieved from https://www.unilever.com/sustainable-living/our-approach-to-reporting/defining-our-material-issues/

Unilever. (n.d.). *A summary of Unilever's highest priority material issues & potential societal impacts*. Retrieved from https://www.unilever.com/Images/unilever-high-priority-material-issues---potential-societal-impacts-final_tcm244-537798_en.pdf

Unilever. (n.d.). *UN Sustainable Development Goals*. Retrieved from Unilever.com: https://www.unilever.com/sustainable-living/our-strategy/un-sustainable-development-goals/

United Nations. (2005). *Who Cares Wins. Connecting Financial Markets to a Changing World.*

United Nations. (2020). *GLOBAL HUMANITARIAN RESPONSE PLAN COVID-19.*

United Nations Development Programme. (2020). *COVID-19: Looming crisis in developing countries threatens to devastate economies and ramp up inequality*. Retrieved from United Nations Development Programme: https://www.undp.org/content/undp/en/home/news-centre/news/2020/COVID19_Crisis_in_developing_countries_threatens_devastate_economies.html

United Nations Development Programme. (2020). *COVID-19: New UNDP data dashboards reveal huge disparities among countries in ability to cope and recover*. Retrieved from United Nations Development Programme: https://www.undp.org/content/undp/en/home/news-centre/news/2020/COVID19_UNDP_data_dashboards_reveal_disparities_among_countries_to_cope_and_recover.html

United Nations environment programme. (2016). *UNEP FRONTIERS 2016 REPORT Emerging Issues of Environmental Concern.*

United Nations. (n.d.). *The 17 Goals*. Retrieved from https://sdgs.un.org/goals

Wernerfelt B. (1984). The Resource-Based View of the Firm.

Werther W.B., & Chandler D. (2010). Strategic Corporate Social Responsibility: Stakeholders in a Global Environment.

World Business Council for Sustainable Development. (2017). *Achieving the Sustainable Development Goals can unlock trillions in new market value*. Retrieved from https://www.wbcsd.org/Overview/News-Insights/General/News/Achieving-the-Sustainable-Development-Goals-can-unlock-trillions-in-new-market-value

World Food Programme. (2020). *COVID-19: Potential impact on the world's poorest people.*

Wren D. (2005). *The History of Management Thought, 5th ed.*

Wu, Zhang, & Xie. (2020). Bad Greenwashing, Good Greenwashing: CSR and Information Transparency. *Management Science, 66*, 3095-3112.

Table of Figures

Summary

Chapter 1

Corporate Social Responsibility (CSR) is a concept that is gaining primary relevance nowadays, as the environmental and societal issues we are facing, and the ways these are addressed by businesses, are attracting the attention of the public. CSR practices can also be considered as a factor that can affect the consumer’s choices. The main goal for the application of Corporate Social Responsibility for a company is to create Value for itself and for the stakeholders, operating in a way that combines economic progress, social justice and environmental preservation. But this meaning has been intensively discussed, as the interpretation can vary based on places, actors, historical period, and culture.

The theories have converged on two main and opposed views: the Shareholder Model and the Stakeholder Model. With the first, endorsed by Friedman, the only CSR activity for a company is to maximize its profit generation, in order to increase the returns for the shareholders, acting in their interest. All other activities that are not done for this scope would be considered as an opportunity cost, and there is an agency problem, as executives are not acting in the interest of the shareholders, but are acting for their self-interests and wasting company’s resources. Therefore, with this view, companies are not the right tool to use for addressing social issues. Companies should only guarantee returns for shareholders and pay salaries to the employees; it will be their role to use the money to contribute to the topics they consider most relevant in their private sphere.

A completely opposite approach is used with the Stakeholder Model, by which it’s part of the company’s responsibility to address the needs of the stakeholders while preserving profitability. The stakeholder model, endorsed by Freeman, requires the company to go beyond the mere minimum targets imposed by the regulations, satisfying the stakeholders’ needs in parallel with the core activities that drive profitability.

The concept of CSR has been often used as a synonym of Philanthropy in the past, but this is now considered wrong, as philanthropy should be intended only as a small part of the universe of the CSR activities. Philanthropy alone represents a way to waste resource if not linked to a more consistent strategy focused on the same topic. In this way the threat is to waste resources without enabling future profitability, which is possible only when these charitable actions are combined with other elements of the strategy.

First traces of social components in the corporates have been found since the Roman age and Middle age, but it's with the first industrial revolution that corporations start to assume the modern connotations, focusing on the profit maximization, and first attentions to a primitive CSR started to emerge. The factory system was accused to overcome the socially acceptable limits, with its intense use of its labor force, which included also children. A first welfare movement instituted in the Great Britain started to address these social issues, promoting better conditions for workers. On the other hand, the criticism about these initiatives started to arise, as the suspect was that companies were legitimating their abuses pretending to give something back to the workers. A new wave of urbanization and industrialization at the beginning of the twentieth century caused again the raise of the profit maximization motif of the company, which irresponsibly used their power. This period culminated with the great depression, after which become again priority for companies to address the claims of the stakeholders. Pushed by social movements, companies started to engage in philanthropic initiatives, positively endorsed by the public. After WWII, corporations were seen as institutions with social obligations to fulfill, and first studies started to analyze their role in society. In the fifties the first concepts of CSR were formed and theorized. The twentieth century has been divided in four periods: the Philanthropic era, the Awareness Era, the Issue Area and the Responsiveness Area. Through this evolution, CSR strategies started to be formed accounting the consequences of the business decisions on society, focusing on mitigating them and enhancing the living condition of the surrounding communities by proactively taking actions. With the digitalization and global warming, the awareness level about societal issues increased rapidly, and people started to put more pressure on companies, expecting from them adequate responses to address these issues. The urgency for action has been recognized also by institutions, like European Commission and United Nation, promoting initiatives to organize and direct the efforts and investments of governments and organizations to address these issues. To do so, United Nations have promoted a framework in 2000, and a new one active from 2015, the UN Sustainable Development Goals, to provide organizations with a clear set of goals to pursue. At the same time critiques have emerged on the genuine nature of these actions, as the public often claims certain companies apply greenwashing strategies only to clean their reputation.

Carrols has been the main contributor to the study of CSR, as he conceptualizes it as a pyramid composed by four different elements: Economic, Legal, Ethical and Philanthropical. With the Economic element at the bases of the pyramid, he recognizes the profit-making nature of a company. The Legal and Ethical shape the actions of the company, by complying to the regulations, and going beyond them is a way to respect and positively influence society. The Philanthropic element of the pyramid consists of actions and donations that generate benefit for society, which can create value also for the company when consistent with the previous elements of the pyramid. All these elements have to be applied at the same time in a consistent way to ensure the success of the CSR strategy, and that's why different representations have been introduced, like the Intersecting Circles model, or the "Concentric-Circle" model. With these models there is less hierarchy between the elements, as they should be all considered at the same time.

The actions taken by the companies have to be disclosed, as stakeholders and investors use these instruments to evaluate their performances. For this reason, corporate reporting covers a fundamental role not only to inform external actors, with the information function, but also in shaping business decisions that will need to be disclosed, with the transformation function.
Corporate reports are object of study from external actors, which exert control on the performance with a backward-looking approach, but they are also analyzed by investor with a forward-looking approach to evaluate the possible future results. Investments in CSR cause positive reactions in the markets, representing a good index of future profitability of a company. That's why corporate reporting has a fundamental role for attracting investments. Therefore, corporate reports not only contain financial information, but also environmental and sustainability reports have been put beside. The combination of these elements represents the future of corporate reporting: the integrated report. This form of report has been already implemented in virtuous companies to better represent their performances.

But the quality of corporate disclosure is not the only variable that influence customers choices and firms' investments in CSR activities: purchase decisions and investments are made also based on the level of transparency of the market. It has been studied the behavior of two types of companies, self-interested and morally managed, in engaging in sustainability activities with low, medium and high level of transparency. With low transparency and incomplete information, the self-interested firm will gain more benefits by engaging in greenwashing activities. On the other hand, morally managed companies will have to overinvest in CSR activities in a context of low transparency, to be differentiated by the other category. With high level of transparency, these investments will be moderated, as the self-interested firm will find not beneficial anymore to invest in greenwashing and the difference between the two groups will be more visible.

But CSR is not always granting positive outcomes for company, and some critiques have been raised. One main problem for companies is the tendency of society to classify the profit-making activity of organizations as immoral, defined as "anti-profit beliefs". The reason is that it is easy to imagine a business transaction as a zero-sum game, in which there is also one beneficiary, the company, even when the transaction is beneficiary for both sides. This stereotype is enforced by media, which focus more on scandals and dark side of companies instead of celebrating their good initiatives and performances. Therefore, actions of companies are under heavy scrutiny. To overcome this limit, firms have to establish trust in the mind of costumers and society to be considered reliable, as the markets don't function as a single shot game, but are characterized by the presence of experience, as a consequence of repetitive games and spread of information between customers. To increase the anti-profit belief there is the tendency of customers to evaluate a product, and often classify it as expensive, without considering the investments in R&D sustained by the company to reduce its environmental impact and negative consequences on society. Therefore, anti-profit beliefs are common, but in most of the cases they do not match with reality. Another point of discussion is corporate reporting, which is accused to be an instrument used by company to disclose only good actions and result, even when they don't reflect reality. That's why companies are adopting clear sets of guidelines for their strategies and reports, in order to create value not only with single actions, but with the entire business model. This consistency allows companies to be credible and avoid accuses of greenwashing. Another instrument used by companies to increase credibility is to set green targets to achieve before a deadline year. This allows to compare reports through the years, and better measure the performance of the company.

Greenwashing is the most common accuse moved to companies. It consists in engaging in basic CSR activities, the most observable and salient for the public, while acting irresponsibly in other areas less observable from the outside. In this way companies use the asymmetry of information to manipulate the perception of customers and influence their purchase decisions.

The drivers that push the creation of a CSR strategy can be divided in two categories: external and interna.

Stakeholder theory is one of the external driver, that puts at the core of the decision-making not only the financial interests of the shareholders, but also the claims of the several groups of stakeholders that interact with the activities of the company. With the stakeholder theory these interests are recognized by the company, and satisfying them is considered a key element for achieving long term success for the business. That's why companies that follow this theory have to pay attention in the way they classify and manage the various groups of stakeholders, as they can be heterogenous and with diverse interests. It's necessary for the company to analyze them and focus on the most relevant for the activities of the company. To do so, a company can classify its stakeholders in internal or external, primary or secondary and strategic or moral. Other classifications have been done on the role that each group plays in the decision making of the company, and how they are impacted by it. One of these classifications divides stakeholders in Promoters, Defenders, Latents and Apathetic. As not all the stakeholders can be treated with the same importance due to limited resources, it is crucial for an effective design of a CSR strategy to focus mainly on the most relevant groups. For this scope, the influence of each group can be analyzed ranking them on the degree of Legitimacy, Power and Urgency. The highest are these scores, the most the company has to consider them in the CSR plan. At the bases of the Stakeholder theory there is the ethics, as without it managers would simply focus on short-term goals of profit maximization. Ethics is necessary to show a sincere interest in stakeholders needs and to establish trust.

The second external driver is the Legitimacy from the society. Companies are not isolated entities, but they interact constantly with the society they function in, in which they put the products and services they create, and from which they collect physical and human resources. The existence of a company is legitimate only when it respects the society it functions in. To get legitimacy, a company must increase the benefits it brings and minimize the cost for their realization. When there is an abuse, companies lose the legitimacy from society and cannot operate anymore. That's why it is fundamental to maintain this relationship in equilibrium. Anyway, it is difficult to always satisfy society's expectations, and it is role of the company to adapt to them and educate the stakeholders about its strategy.

Resource Dependency Theory is the third external element that push to the creation of a CSR Strategy, because the organizational behavior is affected by external resources. It is critical for a company to maintain direct access to these resources, which are often under control of external stakeholders, which needs and interests must be satisfied. The CSR strategy must take into account these groups, which could be critical for the survival of the company. To mitigate the risk of dependency on a single supplier, companies often build redundancy acquiring inputs from multiple parties, but this could be difficult with scarce resources.

For the internal drivers that push CSR investments there is the Agency theory. When there are agency problems there is a mismatch between the interests of a principal and the actions of the agents. In the case of the company, the principals are the shareholders, and the agents are the executives. Agency theory can be the origin of CSR strategies when these are seen by the shareholders only as a way to waste resource, and they accuse the executives to act in their self-interests only to increase their reputation.

The last internal driver is the Resource Based View, which consist in exploiting the internal resources, tangible and intangible, of a company to reach competitive advantage. Under this view, CSR can represent a valuable element available for the company to build reputation and to gain competitive advantage. As CSR is immaterial, it will be hard to imitate by other companies, so the competitive advantage will be stronger.

All these drivers can lead to the creation of a CSR business model, which can be applied in four ways. The first is the shareholder strategy, in which the only focus is to maximize shareholders' returns, create jobs and pay taxes. In this way the company respects the legal requirements and contribute to the growth and prosperity of the society. This strategy is weak, as it doesn't include stakeholders. The second is the altruistic strategy, where philanthropy is at the core with donations of profits to give something back to the society. These are typically decided by managers based on their sensibility. The impact of this strategy in minimum, and the results cannot be measured. The third is the reciprocal strategy, that reconciles economic interests with social, moral and environmental expectations of society. These topics are included in the development of the business model, and the firm is proactively addressing them investing in innovation and increasing welfare. This strategy is strong, permits to measure results and allows the company to build reputation, get better financial performances and satisfy human resources. The fourth strategy is the citizenship strategy, by which the company operates as a good citizen in society. This is the evolution of the previous society as the company analyzes its stakeholders, and fully align its interests with the ones of the most relevant stakeholders that interact with the company. The CSR strategy is then fully aligned with the core activities of the company. This allows to cover a long time horizon, and to build a solid and consistent reputation, based on responsibility, transparency, sustainability and accountability. In this way a company can better create Shared Value.

To create Shared Value it is fundamental to focus on what are the material sustainability activities for the company, defined as the topics that have a direct or indirect impact the ability of the organization to create value for itself, its stakeholders and society at large. Materiality identifies the topics more salient for a company, which could be unique for each one, and that will have to be used to build a solid strategy to Create Shared Value.

The concept of CSV theorized by Porter and Kramer is based on the interconnection of company and society, as the success of the one depends on the other. It is an evolution of the Legitimacy and Stakeholder theories, by which companies create shared value in three ways: reconceiving products and markets, redefining productivity and enabling local cluster development. This strategy allows the company to rethink its activities to find unserved markets and embrace wider needs, to review its use of resources during the lifecycle of the products to increase efficiency and reduce waste, and to exploit the interconnection with the local communities. In this way the company can maximize its profit, reconciling its interests with the ones of the stakeholders.

To put in practice a CSR strategy it is possible to use as starting point the internal and external drivers identified, and the strategy will be designed using an inside-out or an outside-in approach.

The inside-out approach comes from the resource-based view, so the internal resources of the company can represent the strength to prevail in the market. The adoption of this approach consists of analyzing the context in which the company operates, identifying the forces in the industry, the internal activities, the resources and all the relevant factors that influence the strategy. The second step is to review the current strategy to identify potential sustainability gaps, which are easier to analyze using the previous analysis. The last step is the implementation of the new business model, developed to address the sustainability gaps identified, which will be material for the company.

The outside-In approach is the complete opposite, as the stakeholders are considered the ones that should guide the CSR strategy of the company, and understanding their needs represents the key for success. The input comes from the market, where the company should identify what are the gaps between the products offered and the people' real needs. That's why a company that follow this approach should identify which are the most relevant stakeholders that could directly impact the performance on the criteria of legitimacy, urgency and power with the stakeholder's matrix. Then, based on the selections, the needs of the stakeholders are addressed. But this leads to a fragmented strategy, as stakeholders needs can be volatile, and their relevance could change over time.

Considering that both methods suffer from weaknesses, the best way to design a CSR strategy is to combine the two approaches with the integrated thinking. Integrated thinking allows an organization to consider at the same time the capitals available, the stakeholders, the structure of the business model and the organization's total activities. All these elements can be identified with the inside-out approach at first, and then it is possible to use the outside-in method to add the stakeholders to the strategy. This combination fixes the short-term visions of the two approaches and directs the investments into areas that could grant profitability for the company. But to ensure the long-term success of the strategy it is necessary to iterate the process periodically, in order to find gaps and identify new opportunity for the value creation. Several frameworks have been created to help the identification of the sustainability goals and issues, like the UN Sustainable Development Goals and the SASB materiality map. The UN SDG are 17 goals promoted by the United Nations to address global challenges we are facing, like poverty, inequality, climate change, environmental degradations, peace and justice. These goals are designed to set guidelines for governments and organizations to directly act in this direction. The SASB materiality map identifies the sustainability topics that could generate impacts on the operating and financial performance of the companies. These topics are divided into 26 categories, and classified for 11 sectors and 77 industries, so every industry will have its own set of sustainability issues to consider.

These goals and issues can be ranked based on the materiality for the company and the significance for the society using the materiality matrix. This tool permits to identify which are the most material topics to cover with strong investments and commitment, in order to have better outcomes and high stakeholder satisfaction. The use of the materiality matrix is a sign of credible commitment of the company in addressing sustainability topics with a strong and connected strategy.

The outcome of all the company's decisions and performances is disclosed using the Integrated Report, a tool that combine all financial and non-financial information of the company, and shows how it's able to create value. This instrument permits also a solid way to measure and compare performance over time, increasing credibility of the strategy.

Unilever is a company that uses CSR to establish trust in the mind of its consumer, in order to overcome uncertainty periods and economic crisis. Therefore, Unilever has applied CSR strategies since the '90s to build its reputation. The CSR strategy of Unilever has been developed in order to be flexible to face changes in the external environment, in order to better serve the needs of the customers and the stakeholder. A strong attention by Unilever is put also on capturing the preference of the consumers using digital channels, where the CSR efforts of the company are highlighted. Unilever Strategy is developed on three pillars: brands with purpose grow, companies with purpose last, and people with purpose thrive. For Unilever this way of conducting sustainable business can ensure long term profitability. That's why in 2009 Unilever launched the Unilever Sustainable Living Plan. Unilever' approach to develop its CSR strategy was a combination of the outside-in and inside-out approaches, analyzing the megatrends of the industry, understanding that the way business was conducted was not sustainable. The company started to set clear sustainability targets to reach in 10 years, implementing sustainability in all the areas of its business and reviewing its strategy periodically, to ensure it is always actual.

The implementation of the CSR strategy follows the principle of the integrated thinking: Unilever identifies which are the emerging sustainability trends, the macro forces, the competitor practices and the global standards, and then it categorizes the sustainability topics that could be addressed by the strategy. Then, there is the issue prioritization, using the materiality matrix to assess them based on materiality for the company and importance for society, selecting the relevant stakeholders. The materiality matrix is then disclosed internally, to verify if the internal stakeholders are aligned with the proposed strategy of the company. In this phase the employees have a critical role, and could propose sustainability initiatives that the company should pursue. Another evaluation of stakeholders needs permits to review and finalize the plan. After the plan is defined, it is necessary to disclose it to the public using corporate reporting. This is the process used by Unilever for the creation of the USLP, which is reviewed periodically to ensure the value creation process can give the best outcomes. The main goals promoted by the USPL are to help more than a billion people to improve their health and well-being, to halve the environmental footprint of the making use of the products, and to enhance livelihoods of millions of people.

The USPL has been updated after the introduction of the UN SDG, framework promoted with the support of Unilever itself. With its strategy the company contributes in several way to the achievement of most of the goals of the framework. The company pays attention also to the way it discloses the achievements with their reports, which are created following the guidelines of the integrated reporting and audited by external agencies to ensure transparency and reliability. The work done by Unilever allowed the company to reach higher profitability, especially with the brands more involved in sustainability. The results of the USPL show success in achieving some of the targets, but the lessons learnt will shape the future strategies of the company for the targets to achieve in this new decade.

The second strategy analyzed is the case of Philips, companies that operates in the health care and well-being businesses. The strategy of Philips is focused on improving customer experience and gain excellence in operations and productivity, exploiting new markets in different geographic areas to bust growth, and finally to drive innovative solutions through organic investments and partnerships. The strategy is shaped also in this cased after the combination of the inside-out and the outside-in approach. It takes into account the presence of several categories of stakeholders, which are involved into the decision-making process though several tools designed to ensure a dialogue with them and to collect feedbacks. These needs and issues are collected to identify the sustainability topics that should be addressed by the company. Then, the materiality matrix is the second step to select the key material topics for the company that are significant for the stakeholders. Philips's strategy is designed also to address some of the UN SDG, and the company invested in projects to contribute to their achievements, in particular SDG 3, SDG 12 and SDG 13.

The strategy has been put in practice through green investments in each area of the business, in order to increase profitability in the long term. And these returns have been already recognized, as the highest profits increase have been measured in the green focal areas. The company is committed to become carbon neutral, and reduction in emissions have been measured in the past few years. The effort to achieve the targets is supported by parallel initiatives in developing countries to increase living conditions and access to clean water. The strategy and the results are also in this case disclosed using the Integrated Reporting standards, and all the information disclosed are audited internally and externally to ensure reliability.

With the arrive of the Covid-19 pandemic, the United Nations have redesigned their SDG, in order to combine efforts of governments and organizations to fight the virus and to promote a more sustainable post-Covid World.