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UNIVERSITY OF VAASA

Anjali Nepal

**The Integration of Sustainability into
Organizational Practices: A Qualitative Study of EU
Firms**

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| Author: | Anjali Nepal | | |
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ABSTRACT:

The growing importance of sustainability in strategic management has transformed it from a peripheral ethical concern into a fundamental organizational activity, especially within the European Union (EU), where regulatory frameworks such as the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) increasingly influence business behavior. Despite numerous studies on the correlation between environmental, social and governance (ESG) performance and financial results, there remains a significant gap in how companies actually put sustainability into practice and incorporate it into business decision-making..

The main objective of this thesis is to examine the process of integrating sustainability into organizational practices of leading companies in the EU. The study is based on stakeholder theory and the sustainability integration framework by Morioka and de Carvalho (2016). Using a qualitative research approach and an exploratory case study design, this study analyzed Euro Stoxx 50 companies' sustainability reports, annual reports and other corporate disclosures for 2024 and 2025 (ten companies). The data was analyzed using thematic analysis with a structured coding framework.

The results identify eight main themes which show how sustainability is being integrated into organisations. The sustainability integration mechanisms revealed in the themes include the creation of sustainability committees at the board level, the implementation of executive remuneration linked to ESG criteria, and the deployment of digital and AI infrastructure for real-time monitoring. The results demonstrate that the CSRD and ESRS serve as a disclosure framework that drives the convergence of organizational behavior, providing standardized grammar for internal alignment. Furthermore, companies are increasingly moving toward science-based segmentation and stakeholder-negotiated agendas through double materiality assessments. This study concludes that the effective integration of sustainability in EU companies is driven by the combined influence of regulatory pressure, stakeholder engagement, and internal governance and control systems.

Based on these findings, this study recommended that future research conduct comparative analyses between EU companies and those in less regulated regions, such as Asia or the US, to determine the influence of different regulatory frameworks.

KEYWORDS: ESG, Sustainability Integration, Corporate Strategy, EU Regulation, Qualitative Case Study

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1 Introduction

1.1 Motivation of the Study

Over the years, researchers have become more aware about the important role companies play in supporting sustainable economic growth. In this context, the UN Agenda 2030 also highlighted the need for companies to become more socially responsible. Companies are increasingly encouraged to support the Sustainable Development Goals (SDGs) introduced by the United Nations in 2015 to help address current economic, social, and environmental challenges. They are especially encouraged to work together with public and private organizations and develop innovative activities that improve overall social wellbeing. Companies are progressively being expected to exhibit responsible and sustainable business practices by governments, investors, customers among other stakeholders. This growing pressure is driven by rising societal expectations, global sustainability challenges, and increasing awareness of corporate impacts on the environment and society (Elkington, 1997; Freeman, 1984). As a result, sustainability has increasingly become embedded within strategic management rather than remaining a peripheral or purely ethical concern (Eccles et al., 2014).

Sustainability in business is often applied through Environmental, Social, and Governance (ESG) indicators, which provide tools for assessing environmental impact, social responsibility, and governance practices. They have emerged as a significant framework of assessing the corporate sustainability level and of defining the long-term value-creation. These indicators support organizations in measuring and monitoring their sustainability performance and communicating it to stakeholders (Friede et al., 2015). ESG metrics have also become increasingly important in guiding investment decisions, corporate reporting, and stakeholder evaluation processes, reflecting a shift toward more data-driven and standardized approaches to sustainability assessment (Kotsantonis et al., 2016; Khan et al., 2016). When effectively embedded into organizational processes, sustainability can contribute to innovation, risk management, and long-term competitive advantage (Porter & Kramer, 2011). Therefore, companies

are currently being urged to change their internal processes to improve their environmental, social, and governance (ESG) performance in order to gain a competitive advantage (Porter and Kramer, 2006).

Organisations should be more competitive in terms of increasing their value (Porter & Kramer, 2006). Over the years, studies about value have focused on how organisations can become more sustainable. Sustainable value is usually seen as managing and measuring sustainability performance. This can be done by evaluating economic, environmental, and social resources (Figge & Hahn, 2004), together with both tangible and intangible activities or processes that help organisations balance economic performance, environmental protection, and social fairness.

The increasing relevance of sustainability metrics is also strongly influenced by regulatory developments, particularly in the European Union. There are regulatory initiatives such as the Corporate Sustainability Reporting Directive (CSRD), the Sustainable Finance Disclosure Regulation (SFDR), and the EU Taxonomy that compel firms to reveal standardized sustainability data and clarify the impact of sustainability concerns on their business models, governance systems, and risk management strategies (European Commission, 2022, Directive (EU) 2022/2464). These regulations reflect a broader institutional shift toward greater accountability and transparency in corporate sustainability practices (Hummel & Jobst, 2024). Specifically, the CSRD brings in the concept of the principle of double materiality, where the companies are obliged to disclose the impact of the sustainability issues on the financial performance of the firm and the impacts of corporate activities on the society and the environment. This represents a significant shift in how firms evaluate and report sustainability, moving beyond traditional financial materiality toward a more comprehensive understanding of value creation. Consequently, sustainability has evolved from a largely voluntary initiative into a strategic and regulatory requirement embedded within organizational decision-making processes.

However, using only single management initiatives is no longer enough to deal with the many sustainability challenges that companies are expected to face. The process of

integrating and implementing sustainability in organisations is complex for several reasons. First, there is no clear definition of sustainability in general, let alone the sustainability of organisations (Lankoski, 2016). Second, there are various theoretical approaches that justify the inclusion of sustainability as an organisational value and various methods of implementing sustainable practices at different organisational levels (Asif et al., 2013). In this context, recent studies have suggested a more integrated approach in using management tools (Battaglia et al., 2016) to better deal with sustainability issues and to avoid problems that can happen when management practices are used separately and in isolated ways (Gond et al., 2012). Finally, there is currently no standard model for globally integrating sustainability principles into organizations. What organizations need to understand is how to integrate these principles into their daily operations and medium- and long-term strategies in a simple and understandable way (Maas et al., 2016), and use their existing management systems to achieve this goal.

For these reasons, this research is motivated to examine the integration process of sustainability in organization practice of EU Firms.

1.2 Research Gap

Existing academic research has thoroughly examined the relationship between ESG performance and financial outcomes. Although sustainability and ESG is a more frequently discussed issue in the field of management and sustainability studies, much of the available literature has been more concerned with an inquiry on the relationship between ESG performance and financial performance. A substantial body of literature focuses on whether firms with strong sustainability or ESG performance achieve superior financial results, reduced risk, or enhanced reputation (Friede et al., 2015; Khan et al., 2016). These studies provide valuable insights into the economic relevance of sustainability and support the argument that sustainability can contribute to firm performance.

However, much of the existing literature focuses on outcomes rather than organizational processes. In other words, while research has been conducted to determine how accounting, management control, and reporting should simultaneously shift towards sustainability and be fully aligned in order to concretely support managers in making a sustainable strategy operative (Vitale et al., 2019), there has been limited focus on how sustainability frameworks have been implemented within organizational practices. In particular, there is limited understanding of how sustainability is practically integrated into strategic decision-making within firms. While quantitative studies often rely on ESG scores or performance indicators, they do not fully explain how organizations interpret sustainability metrics, how these metrics influence strategic priorities, or how sustainability is embedded in organizational practices and routines (Bansal et al., 2018).

This limitation is especially relevant in the European context, where sustainability reporting requirements are rapidly evolving. The Corporate Sustainability Reporting Directive dramatically broadens the disclosure requirements of corporations and obliges companies to discuss the effect of sustainability matters on corporate strategy, corporate governance structure, and corporate risk management (European Commission, 2022, Directive (EU) 2022/2464). Despite the fact that these regulations are intended to enhance transparency and accountability, there is little academic insight into how firms transform these regulatory requirements into strategic discourses and reported organizational practices (Christensen et al., 2021). Moreover, recent studies suggest that increased reporting requirements do not automatically lead to deeper strategic integration, highlighting the need to examine the organizational mechanisms behind sustainability implementation (Hummel & Jobst, 2024).

Therefore, there is a need for research that moves beyond performance outcomes and reporting disclosures to examine how sustainability is integrated into strategic decision-making and organizational practices within firms operating under EU regulatory approach.

1.3 Research Problems and Theoretical Contributions

According to the research gap identified, the main research problem of this study is the limited understanding on how sustainability is integrated strategically into organizational practices with regards to organizations operating within EU sustainability regulation.

To address this problem, this thesis examines how organizations utilize different models for the bringing sustainability in strategy in their organizational practices. Corporate disclosures, including sustainability reports, integrated reports, and corporate governance statements, provide publicly available evidence of how organizations communicate their sustainability priorities, governance practices, and strategic commitments. Through the analysis of these disclosures, this study aims to provide insights into how firms present sustainability integration through governance structures, KPIs, supplier programs, reporting systems, and product-related initiatives and how these disclosures are used to represent strategic priorities, organizational practices, and perceived challenges. The focus is not only on what the organizations report, but also on how these reports reflect underlying organizational practices and priorities. This perspective aligns with the growing interest in strategy-as-practice and process-oriented approaches to sustainability integration (Jarzabkowski et al., 2007).

The study is guided by the following research question:

How do organizations practically integrate sustainability into organizational business practices and strategic governance mechanisms?

In order to answer this question, the study adopts a qualitative research approach using a case study design. The empirical analysis focuses on corporate sustainability reports, annual reports and other publicly available disclosures of selected EU firms. Thematic analysis will be used to analyze these documents to identify patterns related to governance, systems, practices, and challenges in sustainability integration.

This study makes contributions to the existing literature of research in a number of ways. First, it shifts the focus from sustainability performance outcomes to the organizational

practices and decision-making processes. Second, the research is relevant to the expanding body of literature on the sustainability integration in the European regulatory framework, where the requirements of sustainability reporting are becoming more organized and obligatory. Third, the research will provide practical insights into how organizations can move beyond compliance and embed sustainability into core strategic decision-making.

1.4 Thesis Structure

The thesis is structured as follows. After the introduction, Chapter 2 presents the literature review and theoretical framework, which explains sustainability, sustainability reporting and the regulatory environment that affects the integration of sustainability. Chapter 3 explains the research methodology which entails the research design, data collection and data analysis processes. Chapter 4 gives the results of the empirical study according to the qualitative analysis of corporate reports. The theoretical and managerial implications of the findings are discussed in chapter 5, where the limitations of the study are explained and future research directions are suggested.

2 Literature Review

This chapter provides a review of literature related to the integration of sustainability in practice. It begins by discussing the meaning and evolution of sustainability, followed by its connection to corporate strategy and sustainable organizations. The chapter then examines sustainability performance, reporting frameworks, and the regulatory environment shaping ESG practices in the European Union. Finally, it discusses sustainability integration models and presents the theoretical framework used to guide this study.

2.1 Sustainability

The concept of sustainability has moved beyond just an environmental issue into a core part of how companies think about strategy. However, its widespread application has led to a wide array of definitions, with over 100 competing definitions identified by the mid-1990s (Marshall & Toffel, 2005). Despite this ambiguity, sustainability fundamentally lies in the ability to sustain life (Marshall & Toffel, 2005). One of the most commonly used definitions of sustainability comes from the Brundtland Commission in 1987. It describes sustainability as meeting present needs without reducing the ability of future generations to meet their own needs (Marshall & Toffel, 2005; Sheehy & Farneti, 2021).

Recent studies suggest that sustainability is best understood as an essentially contested concept, an idea that possesses a vague core meaning but remains internally complex and open to multiple legitimate, albeit incompatible, interpretations (Lankoski, 2016). In its broadest sense, sustainability is a global policy agenda focused on protecting the environment and ecology systems that support the human life and wellbeing (Sheehy and Farneti, 2021). Marshall and Toffel (2005) further structure this concept through a Hierarchy of Sustainability, which categorizes concerns into four levels: (1) human survival, (2) human health, (3) species extinction and human rights, and (4) quality of life and aesthetic preferences. They argue that, for the term to retain its meaning, it should focus on the first three levels, those linked to ecosystem functioning and survival, rather than becoming synonymous with quality or goodness in general (Marshall & Toffel, 2005).

2.1.1 Conceptualization of Sustainability in Corporate Strategy

In the field of corporate strategy, it is crucial to distinguish between sustainability and corporate sustainability. The former refers to the overall state at the system level, while the latter is an organizational policy aimed at aligning company activities with these broader goals (Sheehy & Farneti, 2021). In this context, corporate strategy becomes a means for companies to contribute (whether positively or negatively) to the stability of the broader socio-ecosystem in which they operate (Lankoski, 2016). Thus in corporate strategy, the concept of sustainability encompasses a variety of theoretical and practical perspectives. It is primarily viewed as a three-dimensional structure, often referred to as the Triple Bottom Line (TBL), requiring companies to simultaneously consider economic prosperity, social equity, and environmental integrity (Montiel & Delgado-Ceballos, 2014). This allows companies to move beyond a singular focus on short-term financial performance and adopt a sustainability benefits model, measuring their success by their impact on the natural and social environment (Sheehy & Farneti, 2021).

The Triple Bottom Line (TBL) framework addresses this limitation by bringing in a multi-dimensional logic of performance. The Triple Bottom Line (TBL) is a framework created by John Elkington. It explains that a company's success should not be measured only by financial results, but also by its social and environmental performance (Norman & MacDonald, 2004). It broadens organizational performance by requiring simultaneous consideration of economic, environmental, and social dimensions (Elkington 1998). The Triple Bottom Line is also often called the 3Ps, which represent people, planet, and profit (Fauzi et al., 2010). These three elements are the main parts of the TBL framework, showing that social, environmental, and economic factors all have an important and equal role in corporate sustainability (Slaper & Hall, 2011). As illustrated in Figure 1, the TBL framework broadens performance evaluation beyond financial outcomes by integrating social and environmental dimensions. This is important for the present study because it shows why sustainability cannot be reduced to economic performance alone.

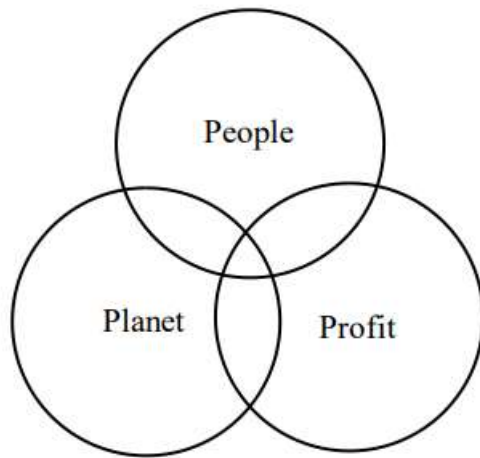


Figure 1. Constituents of Triple Bottom Line (Adapted from Elkington, 1997)

Strategic management scholars often explore sustainability from the perspective of the Natural Resource-Based View (NRBV). This suggests that organizations can achieve a competitive advantage by developing capabilities in pollution prevention, product management, and clean technologies (Montiel & Delgado-Ceballos, 2014). Furthermore, stakeholder theory is frequently used to explain how managers can integrate the interests of diverse groups, from investors to local communities, to ensure the long-term viability of the firm (Montiel & Delgado-Ceballos, 2014).

Lankoski (2016) provides a key framework illustrating how these strategic visions differ in three dimensions. In terms of scope the study states that strategies can be defined narrowly, focusing solely on environmental impact and resource reserves; or broadly, integrating social and economic aspects (the triple bottom line). It illustrates substitutability as the distinction between weak sustainability and strong sustainability. Weak sustainability allows for trade-offs whereas strong sustainability requires that, regardless of benefits gained in other areas, certain ecological thresholds are not exceeded. Organizations can adopt relative benchmarks in terms of goal orientation, striving to outperform competitors or past performance; or they can adopt absolute

benchmarks, aiming to operate within the Earth's established carrying capacity (Lankoski, 2016).

2.1.2 Drivers of Sustainability

Existing literature describes the drivers of sustainability as a complex set of internal and external pressures that compel organizations to minimize their adverse social and environmental impacts while pursuing long-term viability (Wijethilake & Upadhaya, 2020). These drivers, along with macro-environmental driving forces such as rapid technological proliferation and widespread environmental threats, necessitate significant adjustments to corporate strategies (Murthy, 2012). Research indicates that these forces do not operate in isolation but are interconnected at the organizational, functional, and individual levels (Stoughton & Ludema, 2012).

Internal drivers primarily focus on leadership, organizational culture, and strategic intent. Stoughton and Ludema (2012) point out that senior leadership is a key internal driver. Executives define sustainability and build an integrated culture by aligning it with business objectives. Senior leaders in an organization provide the necessary framework for implementation, while middle managers often act as catalysts, translating the organization's overall goals into specific functional projects and tools (Stoughton & Ludema, 2012). Furthermore, the pursuit of a sustainable competitive advantage is in itself a powerful internal driving force. Companies increasingly recognize that incorporating sustainability can deliver strategic capabilities such as waste reduction, pollution prevention, and mastery of green technologies, ultimately lowering costs and improving business performance (Murthy, 2012). Ethical belief systems and a long-standing corporate tradition of doing good to make richer are also key internal drivers for integrating sustainable development into the corporate DNA (Stoughton & Ludema, 2012).

External factors driving sustainability primarily include market pressures, regulatory requirements, and changes in the macroeconomic environment. The influence of market factors such as consumers, suppliers, competitors, and shareholders is increasingly

significant (Wijethilake & Upadhaya, 2020). For example, the unprecedented surge in demand for sustainable products has forced companies to redesign their internal processes (Wijethilake & Upadhaya, 2020). Competitive strategies are also driving sustainability as companies strive to maintain market share in the face of new competitors offering sustainable alternatives (Wijethilake & Upadhaya, 2020).

2.2 Sustainable Organizations and Strategy

Previous studies indicate that the functioning of sustainable organizations is not reflected solely in the formulation of environmental policies, but rather in the deep integration of sustainability principles throughout the entire corporate system. Lozano (2012) provides a comprehensive operational framework by dividing organizations into five basic elements: operations and processes, management and strategy, organizational systems, procurement and marketing, and evaluation and communication. A truly sustainable organization combines voluntary initiatives, such as life cycle assessments or corporate social responsibility, to ensure comprehensive coverage of these elements, thus transcending isolated solutions and adopting a systemic approach (Lozano, 2012).

Bolis et al. (2014) argue that a sustainable organization should be defined by its decision-making perspective. This implies a shift from individualistic and functionalist approaches to collective and axiological approaches that prioritize the satisfaction of human needs and the well-being of society within the Earth's biophysical limits (Bolis et al., 2014). This perspective aligns with the concept of "Kyosei" the Japanese philosophy of spirit of cooperation which operationalizes sustainability as a collaborative commitment among employees, customers, suppliers, and competitors for the common good (Lozano, 2008).

At the practical level, Oertwig et al. (2017) divide operationalization of sustainable organizations into two distinct paths namely eco-efficiency and eco-benefit. Eco-efficiency focuses on increasing resource productivity by achieving maximum output with minimum input, while eco-benefit pursues absolute goals, such as completely eliminating pollutants or switching entirely to renewable energy. According to the study,

this distinction is crucial for measuring sustainable industrial value creation because its success depends on a balanced scorecard of economic, ecological, and social performance (Oertwig et al., 2017).

Extant literature suggests that sustainable organizations and their strategies are no longer defined solely by single acts of philanthropy or compliance. Instead, they are achieved through holistic systems integration, value-based decision-making, and a shift from competition to collaboration. Sustainability strategies within organizations are increasingly defined as a comprehensive strategy, a framework that integrates a company's core business model with sustainability principles to address global challenges relevant to the company (Manninen & Huiskonen, 2022). Unlike traditional corporate social responsibility (CSR), which may exist as a separate organizational level, a comprehensive sustainability strategy ensures that sustainability is inseparable from the business (Manninen & Huiskonen, 2022). Research consistently indicates that the most successful strategies are those that move beyond relative benchmarks such as outperforming peers to absolute benchmarks, while fostering an internal culture that views sustainability as an engine of innovation rather than a limiting factor (Lankoski, 2016; Oertwig et al., 2017).

Previous research has captured dimensions and maturity levels of sustainability strategies. A significant contribution to the literature is the classification of sustainability strategy types. Oertwig et al. (2017), drawing on the work of Baumgartner and Ebner (2010), proposed several strategic orientations. The first is an introverted orientation, primarily focusing on legal compliance and risk aversion. The second is an extroverted orientation, emphasizing external communication and corporate reputation. The third is a visionary orientation, characterized by a strong emphasis on sustainability and its internalization as a driver of continuous innovation and market leadership (Oertwig et al., 2017). The study also found that the success of these strategies depends on an internalized sustainability mindset. For a strategy to move from planning documents to action, it must be supported by organizational success conditions such as a sustainability

culture and long-term commitment, and employee-related conditions such as motivation and integrating sustainability into daily work (Manninen & Huiskonen, 2022).

2.3 Sustainability Performance

Sustainability performance has become a key metric for evaluating organizational success, transcending traditional financial indicators to encompass a holistic view of an organization's impact on the world. According to Büyükoçkan and Karabulut (2018), sustainability performance is the final outcome, positive or negative, of an organization's economic, environmental, and social impacts, measured against a defined baseline. It refers to measuring an organization's overall performance using different indicators related to its policies, decisions, and actions (Büyükoçkan & Karabulut, 2018). Similarly, Gadenne et al. (2012) describe corporate sustainability performance as an ongoing process where organizations achieve short-term goals and meet current needs without reducing their ability to meet future needs in the long term.

Previous literature has primarily differentiated the levels of sustainability performance from two perspectives: time dimension and complexity. Büyükoçkan and Karabulut (2018) provided a solid foundation for this differentiation based on the Two-Tiered Sustainability Equilibra (TTSE) framework. The first-order sustainability performance focuses on the interaction and balance between the three core dimensions of current economic, environmental, and social well-being in the present (Büyükoçkan & Karabulut, 2018). At this level, performance is measured by direct results such as current waste reduction, social responsibility to current stakeholders, and current financial stability (Hussain et al., 2018). Second-order sustainability performance incorporates the intergenerational or time dimension. It assesses how the current interactions between the dimensions of the Triple bottom lines dynamically affect future economic, environmental, and social conditions (Büyükoçkan & Karabulut, 2018). Second-order sustainability performance is characterized by sustainable effectiveness, ensuring the organization's viability and profitability in the short, medium, and long term (Gadenne et al., 2012).

Furthermore, in the context of strategic integration, Nguyen and Kanbach (2024) differentiate these levels by viewing first-order concepts as specific capabilities, commitments, and organizational processes such as knowledge sharing, human capital, and individual sustainable development behaviors. These are building blocks for second-order themes, which represent broader strategic dimensions such as organizational capital, innovation capabilities, and business process reengineering (Nguyen & Kanbach, 2024).

Research has found that a wide variety of corporate activities and management practices can improve sustainability performance. Gadenne et al. (2012) proposed a comprehensive framework comprising eight Sustainable Performance Management Practices (SPMP), which are positively correlated with specific performance indicators. The first is Environmental Management Practice (EMP). Activities such as greenhouse gas emission control, carbon trading, and investment in pollution-free technologies can avoid environmental damage costs, thereby directly improving Environmental Performance (EP) and Financial Performance (FP) (Gadenne et al., 2012; Hussain et al., 2018). Research shows that Social Responsibility Practices (SRP) involving community engagement, sponsorship, and giving can improve social responsibility performance, employee value, and corporate legitimacy, ultimately improving financial performance (Gadenne et al., 2012). Hussain et al. (2018) also emphasized that internal governance mechanisms, such as board independence and the existence of a Corporate Social Responsibility Committee, are crucial for improving social performance.

Process and employee effectiveness practices (PEEPs), focusing on recruitment, retention, and employee development, are also considered to improve sustainability performance. These activities are closely linked to improvements in employee value performance and customer value performance (Gadenne et al., 2012). Furthermore, product and internal process innovation can improve information capital efficiency and new product development performance (Gadenne et al., 2012). Nguyen and Kanbach (2024) add that integrating green Lean Six Sigma and cleaner production models into manufacturing strategies is key to achieving these benefits. Finally, economic and capital

management practices, such as profitability and cash flow improvement practices and capital utilization management practices, ensure the maintenance of the economic dimension of the triple bottom line through efficient resource allocation and financial stability (Gadenne et al., 2012).

Beyond the functional practices mentioned, the literature also highlights the importance of integrated reporting and governance. Hussain et al. (2018) argue that no single theory can explain all dimensions of sustainability performance, thus requiring a combination of agency theory and stakeholder theory to guide governance activities. Establishing independent boards and increasing the frequency of board meetings are concrete governance activities that can improve a company's focus on social responsibility and environmental management (Hussain et al., 2018). Finally, the systematic integration of sustainability into corporate strategy, moving from isolated environmental or social initiatives to a unified strategic framework, is key to translating these specific practices into high levels of sustainability performance (Goyal et al., 2013; Nguyen & Kanbach, 2024).

2.4 Sustainability Reporting

The development of sustainability in business reflects a fundamental transformation in how firms conceptualize their responsibilities and measure performance. This transformation can be understood as a progression from Corporate Social Responsibility (CSR) to sustainability as a strategic paradigm, and ultimately to ESG as a structured measurement approach. Importantly, this evolution is progressive, with each stage addressing the limitations of the previous one while reshaping the role of sustainability in organizations.

CSR represents one of the earliest formalized approaches to corporate responsibility and is often associated with Carroll's (1991) pyramid, which conceptualizes corporate responsibilities as economic, legal, ethical, and philanthropic. The pyramid is illustrated in Figure 2. The pyramid consists of four parts which describes the responsibilities of the

companies: philanthropic responsibilities, ethical responsibilities, legal responsibilities and economic responsibilities. In this context, sustainability-related activities were still largely discretionary and externally oriented and their main purpose was to remain legitimate and address the expectations of stakeholders (Freeman, 1984; Qian et al., 2020).

However, CSR was characterized by significant variability in interpretation and implementation. Companies implemented CSR practices in non-standardized formats, and they frequently were not integrated into the mainstream operations (Aguinis & Glavas, 2012; Hahn & Kuhnen, 2013). As a result, CSR frequently remained peripheral to strategic decision-making.



Figure 2. The Pyramid of Corporate Social Responsibility (Carroll, 1991, pp. 42)

With the development of sustainability as a managerial and strategic term, these shortcomings were mitigated by reconsidering corporate responsibility as a long-term value-generating activity. Sustainability now is more concerned with the approach of integrating environmental, social, and economic issues in the business strategy instead

of focusing on ethical responsibilities (Bansal, 2005; Hart & Milstein, 2003). This shift reflects a growing recognition that sustainability related challenges such as climate change, resource scarcity, and social inequality, have direct implications for firm performance and competitiveness (Porter & Kramer, 2006).

Parallel to this conceptual evolution, sustainability reporting has undergone a significant transformation. In its early stages, reporting was largely voluntary, narrative-based, and poorly standardized. The primary purpose of non-financial disclosures by firms was to increase legitimacy and address the expectations of stakeholders but this was not usually comparative and related to internal organizational behavior (Cho et al., 2015). Sustainability reporting became more organized with time. The emergence of reporting frameworks enabled firms to collect, organize, and disclose ESG-related data more consistently, improving both transparency and comparability (KPMG, 2022). This development reflects a broader shift from treating sustainability primarily as a reputational issue to recognizing it as relevant to long-term value creation and risk management (Eccles et al., 2014, p. 2840).

More recently, sustainability reporting has taken a more formal and standardized turn especially in the European context. Regulatory developments have expanded both the scope and rigor of sustainability disclosures, requiring firms to provide more detailed, consistent, and comparable ESG information (European Commission, 2023, ESRS; Council of the European Union, 2022). This reflects a transition from voluntary disclosure toward increasingly institutionalized reporting practices.

However, despite these advancements, sustainability reporting remains subject to several important limitations. Since, reporting does not always act as a measure of sustainability integration in practice, companies may meet the disclosure obligations without integrating sustainability into their decision-making processes, creating a disconnect between the commitments they make and what they practice. Similarly, while there has been an improvement in standardization to make the information more comparable, there remain differences in interpretation, materiality judgments, and reporting practices that make it difficult to achieve consistency between firms. Adding

more, sustainability reporting is often focused on external communication and building a good image, rather than showing what actually happens inside the organization. It mainly helps companies present themselves as responsible, but it does not always reflect real changes in their internal processes or decision-making. Hence, reporting therefore enables us to learn about what companies are doing to be sustainable, but cannot fully tell us how this sustainability is implemented in the company, which highlights the need for more process-focused research.

2.4.1 Sustainability Reporting Frameworks and Measurement

The increasing institutionalization of sustainability has been accompanied by the development of measurement frameworks and regulatory systems that transform abstract sustainability objectives into structured and comparable data (European Commission, 2023,ESRS). Sustainability reporting models, which determine the way sustainability information is gathered, standardized, and reported. Prominent frameworks include the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB), each reflecting different measurement logics.

The GRI is a framework that has developed guidelines for non-financial reporting on sustainability (Halkos & Nomikos 2021). This approach is a broad based stakeholder oriented approach emphasizing comprehensive disclosure across environmental, social, and governance dimensions. This allows companies to report a large variety of sustainability matters and aligns disclosures with the expectations of the stakeholders (Freeman, 1984; Herremans et al., 2016). However, its flexibility can result in variation across firms, limiting comparability.

In contrast, SASB is more focused and industry-oriented approach, identifying sustainability issues that are financially material within particular sectors. This increases comparability and decision-usefulness among investors by prioritizing economically relevant information (Serafeim, 2020).

These frameworks, therefore, do not merely guide disclosure but actively shape measurement practices. They determine how firms should conceptualize sustainability

performance and allocate attention to specific issues. Meanwhile, simultaneous presence of several frameworks has traditionally led to fragmentation, which poses difficulties in consistency and comparability between organizations.

2.4.2 Regulatory Frameworks: Institutionalizing Measurement

While measurement frameworks define how sustainability is assessed, regulatory frameworks determine whether and how such measurement is enforced. In the European context, sustainability reporting has increasingly shifted from voluntary disclosure toward institutionalized regulation, primarily through the Corporate Sustainability Reporting Directive (Directive (EU) 2022/2464), the Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088), and the EU Taxonomy (Regulation (EU) 2020/852). These frameworks significantly expand the scope, consistency, and comparability of sustainability disclosures across firms (European Commission, 2022, 2019, 2020).

The CSRD represents the central regulatory mechanism, significantly expanding the scope and depth of sustainability reporting requirements. It mandates standardized, auditable disclosures and requires firms to report how sustainability issues relate to their business models, strategies, and risk management processes (European Commission, 2023,ESRS). The CSRD introduces specifications on the reporting content and structure through the introduction of the European Sustainability Reporting Standards (ESRS), which aim at filling the gaps of fragmentation that existed before and increase consistency.

The SFDR complements this framework by targeting financial market participants, requiring them to disclose how sustainability risks and impacts are integrated into investment decisions. Even though it is directly applicable to financial institutions, its impact is felt on non-financial firms as it raises the demand of reliable and similar ESG data. Companies that want to access capital are thus motivated to enhance the quality of their sustainability disclosures (Martinez-Meyers et al., 2024).

This regulatory framework is further strengthened by the EU Taxonomy which stipulates what economic activities qualify as environmentally sustainable. By establishing technical screening criteria and the principle of “do no significant harm,” the EU Taxonomy provides a standardized classification system that enhances consistency and comparability in sustainability evaluation (European Commission, 2020, Regulation (EU) 2020/852; Pfaff & Altun, 2022).

Together, these regulatory measures turn the concept of sustainability reporting into a voluntary communication activity to a mandatory and enforceable regulation. They exert an external influence on companies to implement structured measurement systems and to make the sustainability information comparable, reliable and consistent across companies. However, neither measurement nor regulation alone guarantees that sustainability information is used within organizational decision-making processes.

2.5 Sustainability Integration

The integration of sustainability into organizational practice is increasingly recognized as a fundamental obstacle for companies seeking long-term viability and legitimacy. While the concept of sustainability itself is often characterized by varying definitions (Marshall and Toffel, 2005), the integration of sustainability in a corporate context refers to the demanding process of aligning an organization's operational practices, strategic planning, and performance management systems with sustainability principles (Manninen and Huiskonen, 2022). Sustainability integration refers to the degree of overlap and consistency between traditional management control systems and sustainability control systems (Gond et al., 2012). An integrated strategy does not treat environmental and social initiatives as marginal or superficial factors, but rather incorporates these considerations into the core business model (Lozano, 2012; Manninen & Huiskonen, 2022). This integration is typically analyzed using the Triple Bottom Line (TBL) framework, which aims to achieve a dynamic balance between economic, environmental, and social aspects (Elkington, 1997; Lozano, 2008).

Sustainability integration is an ongoing, long-term evolutionary process (Manninen & Huiskonen, 2022). Internal drivers such as interactive control systems and visionary leadership can help sustainability integration. Wijethilake and Upadhaya (2020) highlighted the role of interactive sustainability control systems. These systems drive bottom-up learning and strategic updates by facilitating dialogue between senior managers and employees. Unlike diagnostic systems, interactive use can enhance cohesion and motivate proactive strategic initiatives (Wijethilake & Upadhaya, 2020). Similarly, previous research has demonstrated the critical importance of having dedicated sustainability professionals as change agents. These professionals can help translate abstract organizational goals into functional tools available to facilities and suppliers (George et al., 2016; Stoughton & Ludema, 2012).

On the other hand, numerous significant obstacles often hinder full integration. These obstacles can generally be categorized into cognitive, organizational, and technological barriers. One of the most persistent barriers is the lack of consensus. Due to differing cultural backgrounds or a lack of industry experience, individuals often hold fragmented perspectives (Stoughton & Ludema, 2012; George et al., 2016). Managers may resist integration, perhaps viewing the company merely as a business entity rather than a social actor, or sustainability as a philanthropic endeavor rather than a strategic priority (George et al., 2016). Successful sustainability integration ultimately requires a shift from purely economic thinking to a value-based or value-driven decision-making model (Bolis et al., 2014; Lozano, 2008).

2.6 Models of Sustainability Integration

Sustainability has shifted from a peripheral issue to a core strategic priority for businesses, necessitating the development of well developed integrated models. Early literature largely focused on the "Why" of sustainability driven by regulatory pressures, social legitimacy, or innovation, while recent research has turned to the "how" to achieve sustainability (Maas et al., 2016).

Vitale et al. (2019) distinguished two main approaches to sustainability integration: the overlap approach and the harmonization approach. The overlap approach integrates sustainability logic into traditional management tools, such as incorporating environmental and social dimensions into the Balanced Scorecard. While this approach allows for gradual implementation, it also risks becoming superficial and merely symbolic compliance. In contrast, the harmonization approach emphasizes the interaction and coordination between sustainability-oriented tools (accounting, controls, and reporting), ensuring consistency across organizational functions. This approach demands more but achieves deeper integration and has a longer-term impact.

Maas et al., (2016) proposed a model that integrates sustainability through three factors: measurement, management (accounting and control), and communication. The study analyzed these factors from two perspectives. The Inside-out perspective where sustainability is driven by internal strategic commitment, with organizations developing sustainability-oriented key performance indicators (KPIs) and integrating them into their accounting and control systems. The second is the outside-in perspective where sustainability arises from pressures from external stakeholders, and information and communication influence organizational behavior. The model also introduces a two-way approach, combining internal commitment with external pressures. The inside-out perspective explains that companies need a clear sustainability strategy and well-defined sustainability goals before developing accounting, control, and management reporting systems. In this view, reporting and control systems are mainly influenced by the company's own sustainability commitment and strategy. On the other hand, the outside-in perspective is more influenced by pressure from stakeholders (Maas et al., 2016). This framework emphasizes the two drivers of sustainability integration but has been criticized for a lack of sufficient empirical validation (Vitale et al., 2019).

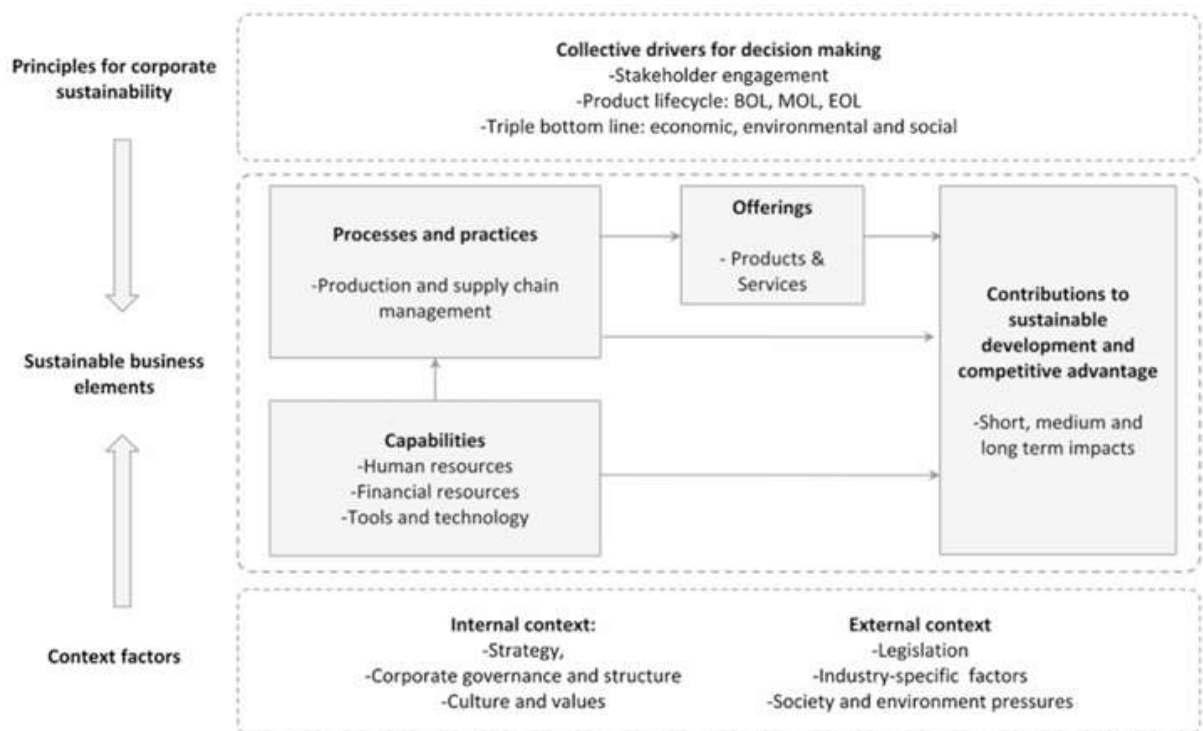


Figure 3. Framework for integrating sustainability in business performance (Morioka & de Carvalho, 2016, pp. 140)

Morioka and de Carvalho (2016) proposed a systematic model that links stakeholder engagement, internal and external context, and sustainability management to key organizational elements such as capabilities, processes and practices, products and services, and competitive advantage. Their model structures the integration process into three hierarchical levels. This hierarchical approach is valuable because it acknowledges the complexity of sustainability mainstreaming and moves beyond isolated tools to adopt a systemic perspective. While the model is conceptually sound, it has been criticized for lacking operational clarity, particularly regarding how organizations can systematically integrate sustainability into their daily operations (Rodríguez-Olalla and Avilés-Palacios, 2017).

2.7 Theoretical Framework

2.7.1 Main framework- Sustainability Integration Framework by Morioka and de Carvalho (2016)

This study adopts the sustainability integration framework proposed by Morioka and de Carvalho (2016) as the primary theoretical foundation to analyse the integration of sustainability in the organisations' strategic and operational processes. The framework provides a multi-dimensional and systemic view of sustainability integration by connecting the organizational context, the management processes and the results of their performance. Unlike more fragmented approaches that focus on isolated tools or practices, this framework is based on a structured and intertwined process in the organization.

The framework is built around four key influencing factors: stakeholder engagement, sustainability management, internal environmental factors, and external environmental factors. These factors influence on how the organizations respond to sustainability challenges and opportunities. Stakeholder engagement reflects the influence of internal and external actors on sustainability priorities, while sustainability management captures the formal structures, systems and governance process for implementing sustainability strategies. Similarly, internal environmental factors include organizational culture, resources, and capabilities, whereas external environmental factors include regulatory pressures, market dynamics, and societal expectations.

The four key components of sustainability integration in organisations are driven by these influencing factors. First, capabilities refer to human, monetary and technological resources available to firms for implementing sustainability initiatives. Secondly, processes and practices refer to the operational processes, such as production, supply chain management, and internal control systems through which sustainability is embedded into daily operations. Third, products and services are a manifestation of how sustainability is embedded in organizational offerings such as eco-design, circular solutions and low carbon innovations. Finally, competitive advantage represents the strategic impact of sustainability integration, such as cost savings, innovation, reputation and value creation over the long-term.

The framework also follows a hierarchical structure, highlighting that it occurs at various levels of the organisation, from strategic intent to execution and performance. This structure is especially relevant for analyzing corporate disclosures because it enables the identification of commitments at a high level as well as concrete organizational practices. The framework further connects inputs (context and drivers) and processes (organizational mechanisms) and outputs (competitive advantage) and thus allows a comprehensive assessment of how sustainability is put into practice in the company.

This framework is the main analytical lens because of several reasons. First, it offers a clear and structured model that helps transfer the concept of sustainability into visible and measurable organisational aspects. This is especially significant for this study as it uses corporate disclosures as the main source of data. Second, the framework captures the systemic nature of sustainability integration, enabling analysis of the interactions between governance, operations and strategic outcomes. Thirdly, it is sufficiently flexible to be used in cross-case analysis of the EU companies in this study.

However, while the framework offers strong structural and analytical capabilities, it provides limited explanation of the motivations driving sustainability integration. In particular, it does not fully explain why organizations prioritize certain sustainability practices or how stakeholder pressures shape strategic decisions. Therefore, to address this limitation, stakeholder theory is used as a complement in the following section for a relational, explanatory contribution to the drivers of sustainability integration.

2.7.2 Stakeholder theory

To compliment the framework by Morioka, this study employs Stakeholder theory as a supporting theoretical framework for why and how organizations integrate sustainability into their core corporate strategies. Stakeholder theory explains that the main goal of an organization is to create value for all stakeholders, including any group or person who can affect or be affected by the organization's objectives (Freeman, 1984). Unlike the traditional neoclassical model that prioritizes shareholder wealth, stakeholder theory

provides a holistic framework that integrates organizations into a broader socioeconomic and ecosystem context (Hörisch et al., 2014). Fundamentally, stakeholder theory shifts the organizational goal from the narrow pursuit of maximizing shareholder wealth to creating value for all entities that may influence or be influenced by the firm (Mahajan et al., 2023).

Existing literature indicates that stakeholder theory explains the integration of sustainability through several key mechanisms. First, stakeholder theory posits that organizations need the support and social permission of diverse internal and external stakeholders to survive and thrive (Mahajan et al., 2023). Therefore, integrating sustainability is not merely a philanthropic act, but a strategic priority for managing risk, upholding ethics, and ensuring organizational legitimacy (Mahajan et al., 2023). Schaltegger et al. (2019) highlights that business and ethics are inseparable; therefore, almost every strategic business decision contains a dimension related to ethics or sustainable development.

Furthermore, stakeholder theory emphasizes that sustainability integration is achieved through the active management of stakeholder relationships. Organizations decide to integrate sustainability into their strategy to strengthen stakeholder mindsets, create mutual interests, and empower stakeholders to act as intermediaries for nature (Hörisch et al., 2014). Schaltegger et al. (2019) argue that strategically meeting stakeholder expectations is equivalent to creating a business case for sustainability. Unlike the traditional approach, which views sustainability as a tool for opportunistic profit-making, a stakeholder-oriented strategy sees it as the objective and foundation for creating value packages (Schaltegger et al., 2019).

Importantly, stakeholder theory contradicts the widely held belief that economic performance and social responsibility are incompatible. A truly integrated strategy rejects the idea of trade-offs and instead focuses on creating synergies and mutual benefits (Schaltegger et al., 2019). Through stakeholder analysis, organizations can identify the most critical sustainability issues and develop business models that harmonize profit orientation with ecological and social expectations (Mahajan et al.,

2023; Schaltegger et al., 2019). In short, stakeholder theory provides the rationale for a holistic and responsible framework where sustainability is integrated into the core of the business to ensure long-term viability and the co-creation of value (Mahajan et al., 2023; Schaltegger et al., 2019).

From the perspective of this research, the stakeholder theory offers an important explanatory prism that compliments the Morioka and de Carvalho framework. The latter describes the organizational practices and dimensions in which sustainability is implemented, while stakeholder theory accounts for the motivations, pressures and value-creation logics that fuel these mechanisms. These views can then be used together to obtain a more holistic view of sustainability integration, both structurally and from a stakeholder perspective.

2.7.3 Integration of Theoretical Perspectives

The Morioka and de Carvalho (2016) sustainability framework is integrated into Stakeholder theory in this study, offering a holistic analytical perspective on sustainability integration in organizations. The Morioka and de Carvalho model provides a structured approach to understanding the integration of sustainability throughout the important dimensions of the organization: governance, capabilities, processes and outcomes, such as competitive advantage. This allows a systematic analysis of practices that can be observed, especially in the context of corporate disclosure where sustainability is reflected in formal strategies, systems, and operational activities.

Though this framework outlines how sustainability is implemented, but doesn't fully address why organizations integrate it. The Stakeholder theory addresses this gap by emphasizing the role of stakeholder expectations, regulatory pressures, and concerns for legitimacy in influencing corporate practices. It explains how organisations respond to internal and external actors and the impact of these reactions on strategic decision making and the implementation of sustainability activities.

By combining these perspectives, this study integrates these viewpoints, thus filling the gap between structural mechanisms and underlying motivations. The Morioka and de Carvalho framework captures the organizational processes and the stakeholder theory explains the drivers influencing the organizational processes. Together they offer a more comprehensive view of sustainability integration as a systemic organizational process and stakeholder-driven strategic response, enabling a deeper analysis of how EU firms embed sustainability into their decision-making and practices.

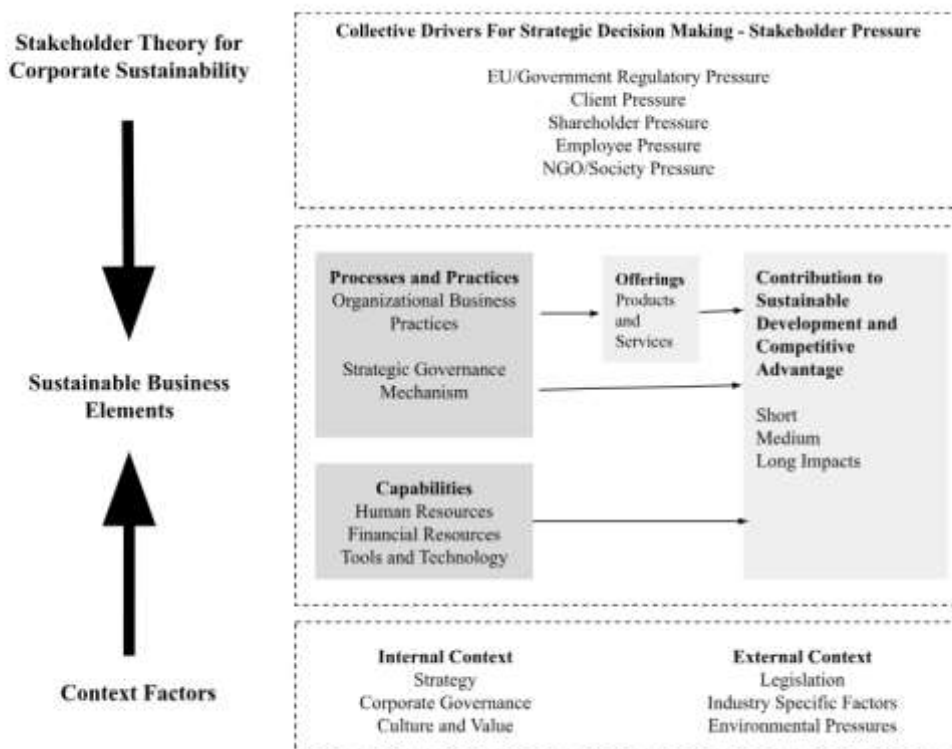


Figure 4. Conceptual Framework for Sustainability Integration (source: author's own illustration based on Morioka & de Carvalho, 2016 and stakeholder theory)

3 Methodology

This chapter includes an overview of the qualitative research design. The overall objective of this study is to identify and present the key activities and processes used by organizations in integrating sustainability into their strategies, and to identify and assess how the EU regulatory environment impacts sustainability integration practices across industries. This study will attempt to explore how the principles of corporate sustainability is being integrated into the business strategies of companies across the European Union. Furthermore, this study aims to assess the extent to which firms integrate sustainability principles into their strategic decision-making to improve business performance (Wolf, 2011).

To achieve the set objectives of this study, this chapter will discuss the research design, research approach, data collection, and data analysis procedures undertaken for the current study.

3.1 Research Approach

Quantitative, qualitative, and mixed research methods are the most widely recognized research approaches. This study employs a qualitative research approach to explore how organizations integrate sustainability into their strategic decision-making processes and business practices. Ravitch and Carl (2021) describe qualitative research as a systematic and contextualized research approach that involves explaining how human beings perceive, approach, and understand their own experiences, situations, and the world. Corbin and Strauss (2008) argue that qualitative research is appropriate when all the concepts associated with a given phenomenon have not yet been identified, fully developed, or misunderstood, and further exploration of a topic is needed to enhance understanding. Creswell supports this view, noting that qualitative research is particularly suitable for examining complex and context-dependent phenomena, where the aim is to develop a deeper understanding of processes, meanings, and organizational dynamics (Creswell, 2023). Given that sustainability integration is multifaceted and not

just measured by quantitative indicators alone, a qualitative approach allows for a richer analysis.

This paper aims to gain a deeper understanding of how organizations integrate sustainability into their corporate strategies and to explore the motivations, beliefs, and experiences behind it. Qualitative research methods is best suited to assess this issue because they can fully reveal the richness and completeness of the subject, thereby capturing its essential meaning and contributing to a profound explanation of the motivations or stages of the aforementioned sustainability integration (Robson, 2003). In addition, this study adopted an abductive research approach, combining both deductive and inductive reasoning.

The analysis started with a theoretical ground based on the framework of sustainability integration developed by Morioka and de Carvalho (2016), which gave rise to a priori codes. At the same time, the study was open to new insights from the empirical data that can be used to identify other themes and patterns. This process of continuous back-and-forth between theory and data was allowed for the refinement of the current theoretical understanding, making an abductive design more appropriate.

3.2 Research Design

The four main research types typically associated with qualitative research design methods are: case studies, phenomenology, ethnography, and grounded theory. This study adopted an exploratory multiple-case study design to investigate how sustainability is integrated within organizational contexts. Tetnowski (2015) points out that case studies are essentially qualitative research, where researchers conduct research by analyzing changes in real-world situations or environments over time. Case study research is especially suitable for studying contemporary phenomena in their real-world context where the phenomenon situation and context are not distinct (Yin, 2009).

A multiple case design is employed to facilitate cross-case comparison, which helps to identify similarities, differences, and patterns across cases. The methodology further

strengthens the analytical rigor of the study, moving beyond the findings of a single case and facilitating broader conclusions. This exploratory nature of the research is justified due to the limited empirical knowledge of the operationalization of sustainability in organizations, and especially in the context of changing European Union regulatory models.

As Grynszpan et al. (2011) point out, case studies aim to yield compelling and reliable findings. Researchers can choose from a variety of case study types. As Tetnowski (2015) notes, these types include exploratory, explanatory, descriptive, intrinsic, instrumental, and collective case studies. Research intent is a crucial factor in determining the type of study. Furthermore, ensuring the research process is timely to maximize the collection of knowledge and information is also essential. Houghton et al. (2013) indicate that the initial phase of a case study involves evaluating a large number of qualitative case studies to select a specific case as the starting point for the research methodology.

Given the limited insights in existing literature on how to effectively integrate sustainability into corporate business strategies, this study conducted an exploratory research which aims to find out what is happening, seek new insights, raise questions, and evaluate the relevant phenomena from a completely new perspective (Robson, 2003). Exploratory research continues to evolve and, based on small samples that provide knowledge of specific topics, can further refine theoretical observations about how companies integrate sustainability into their corporate strategies (Malhotra 2010).

3.3 Research Strategy

To gain a deeper understanding of the research topic, this study employed an interpretive research approach. Interpretive research philosophy is a typical feature of exploratory qualitative research design. It assumes that organizational realities are socially constructed and can be understood through the meanings and practices reflected in organizational activities (Saunders et al., 2007). In this study, the corporate disclosures from corporations are interpreted as representations of how organizations

conceptualize, communicate, and operationalize sustainability within their strategic and operational processes.

In line with this approach, the study adopted an abductive research method, allowing for an iterative interaction between theoretical approach and empirical observations. While the analysis is guided by the priori framework of Morioka and de Carvalho (2016), it also allowed new themes to emerge from the data. This approach enabled both theory-driven and data-driven insights, supporting the refinement and extension of existing theoretical understanding rather than purely testing or generating theory.

3.4 Data Collection

This study used purposive sampling and selected ten large listed companies operating within the European Union. The sample highlights companies that are part of the Euro Stoxx 50 index, which comprises the top 50 companies in various industries. These companies have been chosen because they have more stringent sustainability reporting requirements and have more advanced sustainability integration practices. Companies from the Euro Stoxx 50 also provide a high level of comparability with respect to visibility, regulatory exposure and reporting standards. Additionally, companies in the Euro Stoxx 50 index have a close relationship with the financial markets, and sustainability is more closely tied to investor expectations and long-term value. As publicly listed companies, these businesses are under greater scrutiny to keep their sustainability goals high to maintain the reputation, stock price and investor trust. For this reason, it is assumed that these companies have already formed structured ways of integrating sustainability and are therefore well suited for investigating the integration of sustainability within organizational practices.

The sample includes organizations from different industries including LVMH and L'Oréal (luxury and beauty products), AB InBev (beverages), Sanofi (pharmaceuticals), Safran (aerospace), Prosus (investment in technology), EssilorLuxottica (eye wear), Schneider Electric (energy management systems), TotalEnergies (integrated energy solutions), and

Inditex (fashion retailer). These ten firms are all subject to the requirements set out by the EU Corporate Sustainability Reporting Directive (CSRD), thereby allowing for cross-industry analysis.

The sample was intentionally chosen as organizations across industry to address a variety of organizational strategies, to highlight similarities and find common patterns in sustainability integration beyond industry-specific trends. The selected companies represent a range of industries, including luxury goods, pharmaceuticals, energy, technology, aerospace, and retail. The diversity contributes to the analytical depth of the study and to broader insights into the sustainability integration in various business contexts.

The data set comprises of several corporate disclosures for each company, such as annual reports, sustainability reports, integrated reports, and corporate governance statements. The documents have been sourced from the official company websites and investor relations platforms. The analysis is based on reporting from 2024 to 2025, to ensure the results are based on the latest developments in sustainability reporting, including the implementation of new EU regulations like the Corporate Sustainability Reporting Directive (CSRD).

The use of corporate disclosures as data sources is believed to be appropriate since they deliver standardized and publicly accessible data regarding the communication of sustainability strategies, the structure of governance and the way organizations operate. These documents allow analysis of both strategic commitments and organizational mechanisms that can be observed and forming a basis for analyzing sustainability integration across firms.

3.5 Data Analysis

This study implemented a qualitative thematic analysis following the six-stage process by Braun & Clarke (2006), enabling a systematic identification, analysis, and interpretation of patterns within the data. The analysis was conducted using an

abductive research approach, combining both deductive and inductive reasoning. A deductive element was introduced through the use of an a priori coding frame based on the Morioka & de Carvalho (2016) sustainability integration framework, while an inductive element allowed new sub-codes and themes to emerge from the data. This process between theory and empirical evidence enabled more comprehensive understanding of sustainability integration.

The dataset included corporate disclosures from ten companies for fiscal years 2024 and 2025, such as Universal Registration Documents, Annual Reports, Consolidated Sustainability Statements under the ESRS, and Climate Progress Reports. The most recent documents included AB InBev's 2025 Annual Report (February 2026), L'Oréal's 2025 Annual Report (March 2026), and Safran's 2025 URD in ESEF (March 2026). These documents provided detailed and standardized insights into practice.

A structured codebook was used as a framework for the coding process, which was developed from the Morioka and de Carvalho (2016) framework. The parent codes stayed the same as the framework that was used, resulting seven parent codes and twenty sub-codes as shown below in Table 1. The priori codes ensured theoretical grounding and comparability. Meanwhile, the analysis was open for new patterns, enabling sub-codes to be further refined and elaborated using the firm-specific terms and practices.

Table 1. Codebook of parent codes and sub-codes derived from Morioka and de Carvalho (2016) and developed for this study

| Parent Code (Morioka Dimension) | Sub-codes |
|---------------------------------|---|
| Internal Context | Strategy; Governance & Structure; Culture & Values |
| External Context | EU CSRD/ESRS; EU Taxonomy; Other Regulation; Industry Factors; Societal/Environmental Pressures |
| Capabilities | Human Resources; Financial Resources; Tools & Technology |

| Parent Code (Morioka Dimension) | Sub-codes |
|---|---|
| Processes & Practices | Production; Supply Chain Management; Internal Control & Reporting |
| Offerings (Products & Services) | Eco-design; Circular; Low-carbon; Access |
| Collective Drivers (Stakeholder Engagement) | Stakeholder Engagement; Product Lifecycle (BOL/MOL/EOL); Triple Bottom Line |
| Contributions (Competitive Advantage) | Short/Medium/Long-term Impact; Competitive Advantage |

A total of 87 fragments were identified and analyzed as coded. In this study, a “fragment” is a meaningful unit of text, such as a sentence or paragraph, which explicitly describes a sustainability-related practice, mechanism, or strategic activity. The choice of fragments was not only based on their frequency, but also on their relevance to the research question and their fit in the coding framework. The coding process did not stop until thematical saturation was reached, that is, no new themes or patterns emerged from the data, and a set of 87 analytically relevant fragments resulted.

These fragments were chosen because they were pertinent to the sustainability integration processes and offered insights that contributed to the learning of the organization. The coded data was then analyzed along two lines: a cross-firm analysis that allowed patterns to be compared across the ten companies, and a cross-theme analysis that led to eight higher level themes (T1–T8). These themes were formed by grouping related codes that were present across different companies, which enabled linking sustainability integration practices.

To further analyze, the factors identified were broken down into internal and external factors and then further into enablers, drivers and barriers. This classification enabled a

more sophisticated understanding of how sustainability integration is affected by the capability of the organisation, and by outside drivers. Using mutually connecting data sources and focusing on third party confirmations such as audited reports and regulatory disclosures helped to enhance the findings' credibility.

In order to promote transparency and analytical rigour, selected data extracts, coding examples and tables used to develop the themes are included in the appendix.

4 Results and Findings

The following chapter focuses on the findings of this study, including key emerging themes, data analysis, and research results.

4.1 Overview of Case Study Companies

AB InBev is a Belgium-based global beverage leader operating in 40+ countries. In 2025, it demonstrated financial strength with \$59.3 billion in revenue. The firm is at an advanced stage of sustainability integration, adopting ESRS standards and linking executive compensation to its 2040 net-zero value chain ambition (AB InBev, 2025).

EssilorLuxottica is a global leader in the optical and med-tech sectors headquartered in France, specializing in the design, manufacture, and distribution of corrective lenses and eyewear. The firm maintains significant financial strength, reporting 2025 revenues of €28.5 billion and an adjusted operating profit exceeding €4.4 billion (EssilorLuxottica, 2026). Sustainability is structurally integrated via the "Eyes on the Planet" program, utilizing a double materiality framework and validated Science-Based Targets to drive its transition toward a circular economy (EssilorLuxottica, 2026).

Inditex, headquartered in Spain, is a global leader in the fashion and footwear sector, operating in 214 markets. The Group demonstrated strong financial performance in 2025, recording revenues of €39.9 billion and net profit of €6.2 billion (Inditex, 2026). Inditex exhibits an advanced level of sustainability integration, incorporating ESG factors into its governance and strategy. Key objectives include achieving net-zero emissions by 2040 and using 100% environmentally friendly textile fibers by 2030 (Inditex, 2026).

L'Oréal is a French multinational company with operations in the global cosmetics and beauty industry, offering skincare, haircare, makeup, fragrances, and dermatological cosmetics in over 150 countries. In 2025, the Group's consolidated sales reached €44.05 billion, with an operating profit margin of 20.2%, demonstrating strong financial performance. Through the "L'Oréal for the Future Program," sustainability has been

deeply integrated into the Group's strategy, indicating that it has reached a mature stage in sustainability.

LVMH is a global luxury goods group headquartered in France, operating in 81 countries and encompassing fashion, leather goods, wines and spirits, among other sectors (LVMH, 2026). In 2025, the group demonstrated strong financial performance, with revenues reaching €80.8 billion and net profit at €10.8 billion (LVMH, 2026). LVMH has made significant progress in integrating sustainability; its "LIFE 360" program incorporates specific environmental and social goals into corporate governance, operational processes, and executive compensation (LVMH, 2026).

Prosus N.V. is a global technology investment group that primarily invests in software-driven, asset-light digital platforms and addresses a wide range of societal needs through responsible investment and business practices (Prosus, 2025). Prosus operates internationally, adheres to Dutch corporate governance principles, and considers sustainability an integral part of its strategy, performance, and value creation.

The Safran Group is a global leader in the aerospace and defense sector, headquartered in France, with a presence in 29 countries. Its main business lines encompass propulsion systems, equipment, defense, and aircraft interiors. Financially, the Safran Group posted strong results in 2025, with adjusted revenues of €31.329 billion and an operating margin of 16.6%. The Group has achieved an advanced stage of sustainability integration (Safran Group, 2025).

Sanofi is a leading French multinational pharmaceutical company specializing in immunology, oncology, vaccines, and rare diseases. In 2025, the company reported a strong financial position with net sales of €43.626 billion (Sanofi, 2026). Sanofi demonstrates a systemic integration of sustainability, having incorporated its "AIR" strategy directly into corporate governance and executive compensation (Sanofi, 2026). The Group aims to achieve net-zero emissions by 2045, reflecting a mature alignment between environmental objectives and pharmaceutical innovation across its global value chain (Sanofi, 2026).

Schneider Electric, headquartered in France, is a leading global energy management and industrial automation company providing electrification and digitalization solutions (Schneider Electric, 2026). With strong financial performance, the company achieved a record revenue of €40.2 billion in 2025 and maintained an A credit rating. Schneider Electric demonstrates its outstanding achievements in sustainability through its "Impactful Company" model.

TotalEnergies SE is a French-based multinational energy company with operations in more than 120 countries, primarily involved in oil, gas, liquefied natural gas (LNG), power, and renewable energy. The company boasts strong financial performance, with adjusted net income of \$15.6 billion projected for 2025, majorly due to its robust and low-cost asset portfolio. TotalEnergies is well-positioned in integrating sustainability, employing a dual-business model of oil and gas and integrated power to incorporate climate and sustainable governance into its strategy, aiming to reduce emissions and create long-term value (TotalEnergies, 2026).

4.2 Thematic Analysis

The data coding and analysis produced eight overarching themes (T1–T8), which grouped into four major categories: governance, financial-human capital integration, technology enablement, and external enforcement. Themes were considered as emerging if they occurred in six or more of the ten companies, backed up by credible numerical/structural information, and aligned with an integrative process rather than an individual activity. The threshold of 6 companies was chosen as it represents majority of the sample, ensuring that the themes identified were consistent with a pattern across the sample. This threshold also helps to achieve an analytical saturation by providing attention to recurring patterns across industries.

Table 2 outlines the themes that emerged from coding.

Table 2. Thematic clusters and themes identified through thematic analysis of the data (source: author's analysis).

| Cluster | Theme | Core Finding |
|---------------------------------------|--|---|
| Governance | T1. Board-level ownership | All ten firms have moved sustainability to a dedicated Board committee reviewing strategy at financial-reporting cadence. |
| Governance | T8. Stakeholder plurality in materiality | Double-materiality assessments and shareholder action have replaced one-way disclosure with negotiated agendas. |
| Financial & Human-Capital Integration | T2. ESG-linked pay | Remuneration is the most consistent lever, ranging from 10% (Sanofi CEO STI) to 25% (Schneider Electric LTI). |
| Financial & Human-Capital Integration | T6. Offerings redesigned | Eco-design pipelines, low-carbon engines, circular platforms and access-driven offerings make integration visible. |
| Digital Enablement | T3. Digital & AI infrastructure | Dashboards and AI platforms enable monitoring at financial-reporting cadence and fuel product innovation. |
| Digital Enablement | T5. Supplier decarbonisation | Structured supplier programmes (EcoVadis, Zero Carbon, Eclipse) are the principal Scope 3 workstream. |
| External Discipline | T4. CSRD/ESRS as disclosure rail | Every sampled firm references double-materiality, EFRAG methodology or ESRS integration. |
| External Discipline | T7. Science-based targeting | SBTi has become the de-facto validation mechanism for climate targets and a pre-requisite for investor credibility. |

Within the governance cluster, there is board-level commitment to sustainability (T1) at all 10 firms, with boards meeting on sustainability strategy at the same frequency as financial reporting. This means that sustainability is no longer a standalone item on a list of activities that influence the organisation, but has been integrated into the essential governance processes, a move that goes beyond operational or reporting processes to strategic decision-making processes at the highest level. Further, stakeholder engagement has become a structured process (T8), with the double materiality approach and shareholder action influencing the setting of priorities in sustainability. This indicates a shift from disclosure to negotiated governance, in which stakeholders actively influence on corporate agendas.

The financial and human-capital integration cluster focuses on the importance of internal organizational mechanisms. Of the three, the most uniform measure is ESG-linked remuneration (T2), where the share of executive compensation ranges from 10% to 25%. This means that sustainability is becoming embedded in the management practice, and is not just a token gesture, but verifiable responsibility. Likewise, the re-design of offerings (T6) such as eco-design pipelines, circular models, and innovations for lower carbon footprint show how sustainability is integrated into products and services. This indicates that sustainability is now not only playing a role in compliance or reporting tasks, but also is a force for innovation and value creation.

The digital enablement cluster focuses on the increasing significance of technological infrastructure. Companies are increasingly implementing digital dashboards and tools built on artificial intelligence (T3) to track sustainability performance on a financial-reporting frequency. This sign points to technology capabilities becoming critical enablers for integrating sustainability, overcoming earlier challenges of data transparency and measurement. Supplier decarbonization programs (T5) like EcoVadis, zero carbon and eclipse platforms are also widely adopted to manage scope 3 emissions. This indicates that sustainability integration is not just about the firm and needs to be coordinated throughout the supply chain, and emphasize a network-level approach.

Finally, the external discipline cluster shows the impact of regulatory and institutional pressures. The Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS) are a disclosure rail (T4), where all companies have to harmonise reporting in accordance with CSRD/ESRS. This suggests that regulation is not only holding firms accountable for transparency, but it's also influencing how firms operate and driving uniformity in sustainability reporting practices. Similarly, science-based targets (T7) have become a major validation tool and SBTi is now becoming a prerequisite for investor credibility. It indicates that external verification is becoming a necessity for legitimacy and comparability of sustainability performance. Overall, these results show a real transition from adhoc and voluntary sustainability practices to a systemic and standardized approach to integration. Sustainability has become a key tool to guide EU firms' strategic function, becoming embedded in governance, incentives, operations, and external accountability mechanisms.

4.2.1 Drivers for the Integration of Sustainability

Stakeholder relations have moved from being one-sided information dissemination to negotiating an agenda. The data analysis shows that all companies go through double materiality assessments (DMAs), which involve engaging their stakeholders mainly investors, employees, suppliers, customers, government bodies, and civil-society groups. Of all the stakeholders involved, investors exert the most measurable influence: CDP, MSCI ESG, and DJSI rankings determine cost of capital and index membership, as seen by Schneider Electric's Corporate Knights #1 ranking for 2025 and ten consecutive CDP Triple-A ratings for L'Oréal. Opposition is another tool used by stakeholders, such as the shareholder resolution at Inditex's 2025 AGM opposing air freight dependence. Industry groups magnify stakeholder pressure, including TotalEnergies' Oil and Gas Decarbonization Charter, which covers 55 firms accounting for about 45% of global hydrocarbons production and AB InBev's 100+ Accelerator that has attracted 190 start-ups from 40 nations.

Internally, there are six enabling factors that repeatedly appear in the case study samples. These are board-level sustainability oversight, named flagship programs (LVMH's LIFE 360, Schneider Electric's SSI, L'Oréal for the Future 2030), ESG-based remuneration, redeployment of R&D and capital expenditures, digital and artificial intelligence platforms, and the stated corporate purpose. The highest degree of integration can be achieved if these six factors act in conjunction, which is evidenced by Schneider Electric, L'Oréal, Sanofi, and TotalEnergies. There are three internal barriers were identified namely Scope 3 domination (covering more than 85-90% of total footprint in LVMH and AB InBev), sector-specific business model conflicts (air freight dependency of Inditex, continued hydrocarbon investments of TotalEnergies), and metric variance between companies restricting numerical comparison.

Externally, the CSRD and ESRS apply a standardized disclosure framework (European Commission, 2022, Directive (EU) 2022/2464; European Commission, 2023) for all ten companies. AB InBev adopted the ESRS on 1 January 2024 and performed a full DMA in that year; LVMH reorganized its reporting structure at the Maison level based on 75 Maisons; Sanofi integrated the DMA into its COSO-based internal control environment; Inditex aligned its 2024 Sustainability Statement against specific ESRS data points (E1-E5, S1-S4, G1). Sector-level regulations add to this common thread: ICAO's net-zero by 2050 target defines Safran's path; EU ETS drives AB InBev's European brewery strategy; EU methane regulation provides the basis for TotalEnergies' strategy. The Science Based Targets Initiative acts as an unofficial standard, with validated targets at seven companies and referenced targets at the other three. Overall, these findings indicate that sustainability integration is driven by both internal governance ways and external stakeholder pressures, rather than isolated initiatives.

4.2.2 Sustainability Elements

The most effective human-capital instrument is pay. Sanofi has linked 10% of the CEO's short-term incentive and 10% of his long-term incentive to Corporate Social Responsibility. The company Schneider Electric has increased the weight of the short-term incentive, which is linked to its Sustainability Impact Score and includes over

100,000 employees, from 10% to 20%. Also, the company has linked the long-term incentive of the 4,000+ employees by including a climate-target weightage of 25%. The ESG-based annual bonuses of 10-20%, including the position of Chief Sustainability Officer, are granted to more than 3,000 employees in AB InBev. The financial resources can be also reallocated: Safran allocates at least 75% of its self-funded research and technology (R&T) spending on environmental efficiency. Also, R&D spending of Schneider Electric has increased from 5% to 7% of its revenues (€13 billion in the period from 2017 till 2024).

Supplier decarbonisation programmes are the key Scope 3 instrument. Schneider Electric's Zero Carbon Project managed to decrease operational CO₂ emissions of the top-1,000 suppliers by 56% in 2025. AB InBev uses the Eclipse platform for managing supplier decarbonisation. Inditex has adopted its Supply Chain Environmental Transformation Plan requiring decarbonisation plans for reducing emissions by more than 4.2% annually. There is convergence of achievements in production processes: AB InBev, L'Oréal and Inditex have managed to use 100% renewable electricity through restructuring energy procurement process based on long-term power purchase agreements, centralisation of sourcing decisions, and incorporating renewables into KPIs. This finding illustrates how sustainability is incorporated into the decision-making process in terms of procurement, budgeting, and operations rather than a result alone.

L'Oréal is committed to using 95% biobased or circular ingredients by 2030 (67% already achieved in fiscal 2025) and cut virgin plastic packaging by 37% compared to 2019. Safran's RISE engine programme and ENGINEUS 100 electric motor incorporate decarbonisation into next-generation aircraft architecture design. The non-alcohol portfolio of AB InBev produced a 33% revenue growth in H1 2025. Schneider Electric's EcoStruxure helped clients avoid emitting 862 million tonnes of CO₂ in 2025 surpassing the 800 million-tonne target. EssilorLuxottica's access-driven model has equipped 86.8 million people with eyeglasses since founding its OneSight Foundation. This suggests that sustainability is embedded across multiple organizational dimensions, including human capital, operations, and product development.

4.2.3 Competitive Advantage

The analysis has provided four elements in terms of competitive advantage. First is cost-efficiency. Renewable energy PPAs tie costs to fixed energy rates; sustainable supply materials provide reduced input costs. Sustainability-driven financing directly reduces the cost of capital through Schneider Electric's bank funding based on SSI score from 2022 onward. Second is innovation the data showed that Safran's RISE program is next generation propulsion technology poised for the transition to net zero emissions in the aviation industry. Similarly, L'Oréal's patent applications topped out at 725 in 2025 making it the Fortune magazine Most Innovative Company in Europe and Schneider Electric's increased R&D expenditure has made its IP development focused on electrification and digitalisation. The third element is branding. Purpose-driven narratives such as LVMH's Responsible Luxury, Schneider Electric's Impact Company and Inditex's The How Matters frame stakeholder communications and talent acquisition initiatives that cannot be replicated by transactional competitors. Finally, investor appeal is the fourth element. The analysis highlighted that ESG scores factor into index inclusion and cost of capital. SBTi validation has become essential for mainstreaming inclusion in ESG funds. Based on the analysis, L'Oréal's 10-year CDP Triple-A rating is mentioned directly by its chairman in support of its programme credibility with investors. This indicates that sustainability is increasingly linked to strategic value creation, rather than being limited to ethical or reputational considerations.

4.3 Cross-Case Comparison and Framework Mapping

Three transversal trends can be highlighted in Cross Firm Matrix. Firstly, there is strong convergence at the baseline stage. This means that regulatory initiatives and international standards are leading to institutional convergence and less divergence in sustainable practices among institutions. All ten companies are characterized by commitments to net zero, Board-level governance, CSRD reporting, ESG-based executive compensation, supplier decarbonization programs, and ESG performance ratings. This is

the result of the synergy between CSRD, SBTi, and leading rating systems, which creates an effective sustainability regulatory framework for businesses.

Secondly, most of the selected companies have depth in relation to at least one of the factors: AB InBev- water efficiency (2.38 hl/hl worldwide); Safran- green research and development intensity; TotalEnergies- methane monitoring (65% decrease in 2025 compared to 2020); EssilorLuxottica- accessibility. This suggests that differentiation can occur in the degree of integration of sustainability in different organizational areas. Finally, Schneider Electric and L'Oréal are the examples of companies that have depth in all of the analyzed factors simultaneously. This means that the leading companies are not integrating just in one area, but across governance, technology and incentives. For instance, the analysis reveals that Schneider Electric has ESG-based stock option incentive plan for more than 100 thousand people; quarterly dashboarding; high proportion of revenue allocated for R&D (7%); a zero carbon project for suppliers; sustainability-based financing from banks and leading ESG rating scores. Table 3 maps the eight themes and their principal empirical manifestations onto the Morioka and de Carvalho (2016) sustainability integration framework, making explicit how each pattern of organisational behaviour fits the theoretical architecture.

Table 3. Mapping of thematic findings to the sustainability integration framework of Morioka and de Carvalho (2016) (source: author's analysis).

| Theme / Empirical Manifestation | Morioka and de Carvalho (2016) Dimension |
|--|---|
| T1. Board-level sustainability committees; executive-level ownership | Internal Factors (Governance & Structure) |
| T2. ESG-linked remuneration (Sanofi, Schneider Electric, AB InBev, TotalEnergies) | Capabilities (Human Resources) |
| Redirected R&D and sustainability-linked finance (Safran, Schneider Electric, L'Oréal, AB InBev) | Capabilities (Financial Resources) |

| Theme / Empirical Manifestation | Morioka and de Carvalho (2016) Dimension |
|---|--|
| T3. Digital dashboards, AI and Gen AI (SSI, TotalEnergies methane monitoring, CreAltech) | Capabilities (Tools & Technology) |
| T5. Supplier decarbonisation programmes (Zero Carbon Project, Eclipse, EcoVadis scoring) | Processes & Practices (Supply Chain Management) |
| Internal control integration of DMA (Sanofi COSO, AB InBev ESRS from 1 Jan 2024) | Processes & Practices (Internal Control & Reporting) |
| T6. Eco-design, circular platforms, access-driven offerings (LVMH, Safran RISE, Zara Pre-Owned, OneSight) | Products & Services |
| T4. CSRD/ESRS compliance (all ten firms) | External Factors (EU CSRD/ESRS) |
| T8. Double-materiality consultations; shareholder coalitions; NGO partnerships | Sustainability Management / Stakeholder Engagement |
| Cost efficiency, innovation, brand differentiation, investor attractiveness | Competitive Advantage |

4.3.1 Firm-level Integration Mechanism

Although cross-firm similarities reveal convergence, each firm implements its sustainability initiatives through specific approaches. The analysis showed that the integration of sustainability for Schneider Electric is achieved through incentive structures tied to ESG goals, dashboards for monitoring, and supplier decarbonization programs. From the analysis, The integration of sustainability in L'Oréal's strategy occurs through innovation-related activities and funding, such as sustainable products developed through innovation and using AI technology, and renewable procurement transformations. For AB InBev, sustainability is integrated into the company's operations and business through platform-enabled supply chains and sustainability financing. For

Sanofi, the embedding of sustainability occurs within the context of governance and risk management through double materiality assessments.

The results from the analysis reveals that Safran implements sustainability through resource allocation to research and development aimed at increased efficiency. For Inditex, sustainability is integrated through its procurement strategies as part of the supply chain transformation initiative and lifecycle-based product strategies like resale and repair programs. The sustainability strategy in TotalEnergies consists of a dual approach whereby sustainability is embedded into monitoring systems and capital allocation in addition to its operations in hydrocarbons. EssilorLuxottica integrates sustainability through distribution systems and health partnership programs. Prosus achieves sustainability through portfolio-level sustainability strategies. These variations demonstrate that while the integration logic is consistent, implementation pathways differ based on organisational structure and sectoral context.

From the cross case comparison, the firms can also be grouped based on the dominant integration pattern. In the case of Sanofi and AB InBev, both can be considered governance-led companies, as sustainability is firmly rooted in formal structures, internal control systems, and executive accountability. L'Oréal and Safran are the two examples of innovation-driven integration, focusing primarily on research, product development and technological evolution as a means of driving sustainability. Operations led integration is evident in the case of Inditex and EssilorLuxottica, where sustainability is closely tied to supply chain transformation, circularity, and access-driven business models. Governance, incentives, digital systems, supplier programs, and innovation are all highly integrated at Schneider Electric, hence can be considered a hybrid leader. This classification reveals that all companies have the same logic of sustainability integration, but the predominant path varies across business model, sector and the ability of the company to implement that integration.

5 Discussion

This chapter discusses the findings of the data analysis performed on the data obtained from the selected 10 EU companies for the purpose of investigating the practical integration process of sustainability within the organizational practice and strategic decision-making of the organizations.

5.1 Interpretation of Findings

The research question for this study is “How do organizations practically integrate sustainability into organizational business practices and strategic governance mechanisms?” The findings of this study is relevant to the research question. The results identify specific and tangible mechanisms through which sustainability shifts from a secondary concern to a fundamental strategic priority. The analysis revealed eight themes (T1–T8) that represent how sustainability is integrated in the case companies.

The results showed that all selected companies (n=10) have established specific committees at the Board of Directors level to oversee sustainability strategy (T1). This finding directly answers the research question by highlighting governance as the primary entry point for strategic integration. This is consistent with Peters and Simaens (2020), whose case study research on VAUDE emphasized that sustainability must be “firmly embedded in the organizational structure” and managed at the executive level. Furthermore, it aligns with García et al. (2016), who argued that for sustainability to be effective, it must be integrated into management control systems (MCS) rather than existing as a disconnected reporting activity. The transition of sustainability oversight to a financial reporting cadence (T1) suggests that EU companies now treat ESG data with the same rigor as traditional financial metrics.

A key practical mechanism identified in the findings is the relationship between ESG performance and executive compensation (T2). Sanofi’s 10% link and Schneider Electric’s

25% weighting of long-term incentives serve as empirical evidence of how strategic priorities are applied. This supports the individual-level analysis described by Peters and Simaens (2020), who identified senior management commitment and intrinsic motivation as key drivers. By formalizing these motivations through compensation, companies institutionalize the sustainability mindset that Oertwig et al. (2017) identified as a prerequisite for moving from planning documents to action.

The study identified digital and AI infrastructure (T3) as a key driver of integration. Companies such as Schneider Electric and L'Oréal use AI and real-time dashboards to monitor progress. This finding addresses a gap identified by Waage et al. (2005), who noted that the lack of transparent and accessible data was a fundamental obstacle to sustainable decision-making. The emergence of AI-based tools suggests that the cognitive and technological barriers highlighted by Stoughton and Ludema (2012) are being systematically overcome by the current generation of EU organizations to help data-driven sustainability management.

5.2 Interpretation of Findings Through Stakeholder Theory

The results of this present study align with stakeholder theory as a central explanatory framework for sustainability integration. The stakeholder theory posits that companies create value by addressing the needs and expectations of multiple stakeholder groups, rather than focusing solely on shareholders (Freeman, 1984). The findings from the data analysis demonstrates that sustainability integration in the 10 selected case companies is not simply an internal management decision, but rather a response to the complex and dynamic pressures of stakeholder groups.

One of the most significant findings is the critical role of stakeholder engagement, particularly through double materiality assessments (DMAs). All the 10 companies analyzed actively involve stakeholders including investors, regulators, suppliers, and civil society in defining sustainability priorities. This fully aligns with the argument that companies

depend on stakeholder approval for their legitimacy and long-term survival (Mahajan et al., 2023).

The findings of this study expands stakeholder theory as it moves away from a relational perspective to a procedural and infrastructural perspective. Classical stakeholder theory emphasizes balancing stakeholder interests to ensure legitimacy and long-term value creation (Freeman, 1984). This research deepens the theory by demonstrating that stakeholder engagement is no longer limited to dialogue or problem identification but is integrated into formal organizational routines.

The predominance of investors as key players is particularly significant. ESG ratings, such as CDP and MSCI, directly influence the cost of capital and access to financial markets. This supports the literature suggesting that stakeholder expectations increasingly influence strategic decision-making (Hörisch et al., 2014). The findings expand on this perspective by demonstrating that stakeholder influence is no longer indirect but is embedded in financial mechanisms, such as sustainability-linked financing and ESG-based remuneration. Furthermore, stakeholder activism, such as the shareholder resolutions at Inditex, demonstrates that stakeholders are actively involved in shaping corporate agendas, rather than passively receiving information. This reflects a shift from one-way communication such as CSR reporting to negotiated governance structures, supporting the argument by Schaltegger et al. (2019) that sustainability strategies emerge from stakeholder engagement, rather than hierarchical decision-making.

Furthermore, the results indicate that sustainability integration is applied through organizational mechanisms aligned with stakeholder value creation. These include corporate governance structures, incentive systems, supply chain management, and product innovation. Sustainability committees at the board level (T1) demonstrate how companies institutionalize stakeholder considerations at the highest decision-making level. This aligns with Hussain et al. (2018), who argue that governance structures are fundamental to aligning corporate actions with stakeholder expectations. By incorporating sustainability into corporate governance, companies ensure that stakeholder interests are systematically considered in strategic decisions.

Similarly, ESG-linked compensation (T2) reflects the internalization of stakeholder expectations into managerial incentives. This finding expands upon existing literature by demonstrating that stakeholder theory operates not only at the strategic level but also at the behavioral level within organizations. Managers are incentivized to act in ways that align with stakeholder interests, thus operationalizing stakeholder theory in everyday decision-making. Finally, the findings on Supply chain decarbonization (T5) further illustrates how companies are extending stakeholder engagement beyond organizational boundaries. Suppliers are becoming key stakeholders, particularly with regard to Scope 3 emissions. This supports the argument that stakeholder theory encompasses network-level relationships rather than company-centric perspectives (Hörisch et al., 2014).

5.3 Theoretical Contribution

The findings of this study has theoretical implications that provides insights into the emerging research study in the field of strategic management and sustainability management. The study examined how organizations practically integrate sustainability into their business practices and strategic decision-making.

A key theoretical contribution of this present research is the empirical validation of Morioka and de Carvalho's (2016) sustainability integration framework in a contemporary and highly regulated context. While the original model was praised for its systemic perspective, it was previously criticized for its lack of operational clarity regarding day-to-day operations (Rodríguez-Olalla & Avilés-Palacios, 2017). This study addresses this deficiency by linking specific modern activities to the framework's dimensions. For example, this study identifies digital dashboards, AI, and Generative AI as specific manifestations of the Tools and Technology subcode within the Capabilities dimension. In doing so, the research transforms a conceptual model into a functional diagnostic tool that reflects how technology enablement and external discipline (CSRD/ESRS) now act as critical contextual factors that were less prominent when the original framework was developed.

The second theoretical contribution of this study is that it conceptualizes sustainability integration as a multi-level stakeholder coordination process. Existing literature typically treats stakeholder theory as a static framework, focusing on identifying and managing stakeholder interests (Freeman, 1984). However, the results show that sustainability integration is a dynamic process involving coordination across multiple organizational levels. This multi-layered system expands upon previous research, demonstrating that stakeholder integration is not limited to strategic decision-making but permeates the entire organizational system. It supports Lozano's (2012) view that sustainable development requires systemic integration across organizational elements. Furthermore, the findings indicate that stakeholder alignment is an iterative and evolving process. Double materiality assessments and stakeholder engagement processes continuously reshape organizational priorities. This dynamic perspective, emphasizing process rather than structure, advances stakeholder theory.

Finally, this study contributes to the theory by clarifying how the EU regulatory environment (particularly the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standard (ESRS)) serves as a disclosure rail (T4) that compels the convergence of organizational behavior. Previous research has shown that sustainability is a controversial concept with over 100 competing definitions (Lankoski, 2016; Marshall & Toffel, 2005). The findings of this study demonstrate that regulation is effectively addressing this ambiguity regarding sustainability among EU companies by providing a disclosure grammar. This suggests that the Corporate Social Responsibility Disclosure Regulation (CSRD) is not merely a reporting requirement, but a strategic catalyst that prompts companies to restructure their reporting. This provides insights on how external regulatory pressures are internalized by companies, leading to a standardized approach to sustainability that shifts companies from voluntary initiatives to institutionalized requirements.

5.4 Managerial Implications

The findings of this study have managerial implications for organizations seeking to integrate sustainability into strategic decision-making and organizational practices, particularly in the evolving regulatory environment of the European Union.

First, this study highlights the crucial role of governance and leadership in integrating sustainability. All ten companies analyzed had sustainability committees at the board level, indicating that sustainability has become a strategic governance issue, not just an operational or communications activity. This finding aligns with previous literature that underscores the importance of senior leadership and governance structures for integrating sustainability into organizational strategy (Lozano, 2012; Stoughton and Ludema, 2012). For managers, this means that effective sustainability integration requires clear accountability at the highest organizational level, and that sustainability assessments should be conducted as frequently as financial performance reviews. Without these governance safeguards, sustainability risks remaining fragmented or limited to short-term financial priorities.

Second, this study highlights a significant shift towards data-driven and standardized approaches (Kotsantonis et al., 2016). For managers, this means investing in digital and AI infrastructure (T3) capable of monitoring ESG performance in financial reporting. Platforms like Schneider Electric's EcoStruxure or AB InBev's Eclipse demonstrate that digital transformation is no longer an option. It is a bridge between the double materiality assessment (DMA) and the complexities of Scope 3 emissions. Managers must prioritize the digitization of sustainability data to ensure transparency and prevent distorting effects from management practices (Gond et al., 2012).

Finally, the findings of this study indicates that external regulations, particularly the Corporate Governance and Sustainability Reporting Regulations (CSRD) and ESRS, serve as integrative mechanisms, rather than simply representing a reporting burden. While existing literature highlights that increased reporting does not automatically lead to strategic integration (Christensen et al., 2021; Hummel & Jobst, 2024), the findings of this

research suggest that standardized disclosure frameworks construct a structure that facilitates internal alignment across governance, strategy, and operations. Therefore, managers can proactively leverage regulatory requirements, using double materiality assessments as a strategic tool to prioritize sustainability issues and involve stakeholders in decision-making.

5.5 Chapter Summary

This chapter presents a discussion of the data analysis results in light of the theoretical framework guiding the present research. This chapter interprets the findings and its relevance to the research question. The study identifies that the results shows how organizations integrate sustainability in their business practices. This finding is aligned with the stakeholder theory as the results show that in the practical integration of sustainability all the 10 case study companies considered stakeholders both internal and external in their strategic decision making. This chapter also presents the theoretical contribution of this study as well as the managerial implications. The next chapter will conclude the research and provide the recommendations for future research.

6 Conclusion and Recommendation

This study aims to explore how sustainability can be integrated into organizational practices, with a particular focus on the mechanisms, drivers, and theoretical foundations of this integration process. The motivation for this research is based on the fact that although sustainability has become a core theme in strategic management and organizational research, existing studies largely focus on why sustainability is important, rather than how to effectively integrate it into organizational systems. To address this gap, this study aimed at investigating how ten leading EU companies selected from the Euro Stoxx 50 index are integrating sustainability into their core strategies in an evolving and increasingly stringent regulatory environment.

This study employs a qualitative research approach and an exploratory case study design. The theoretical underpinning for the study is stakeholder theory (Freeman, 1984) and the sustainability integration framework proposed by Morioka and de Carvalho (2016). By analyzing corporate disclosures from 10 companies in 2024 and 2025, this study aims to explore how sustainability has been integrated in business practices and transformed from a peripheral, voluntary initiative into a systemic, strategic requirement.

The research findings reveal eight overarching themes (T1-T8) that mark a fundamental shift in corporate behavior. A key finding is the emergence of “board-level ownership” (T1), with all ten companies establishing dedicated committees to oversee sustainability at the highest governance level. This indicates that sustainability is no longer merely a function or marketing activity, but has become a core governance consideration, with a rigor and pace comparable to traditional financial reporting. Furthermore, the study found that the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS), acting as a “disclosure track” (T4), provide a standardized structure that prompts companies to adjust their internal reporting and management control systems.

The implementation of this strategy is reflected in practical mechanisms, such as compensation linked to environmental, social, and governance (ESG) considerations (T2)

and the deployment of digital and artificial intelligence infrastructure (T3). For example, companies like Sanofi and Schneider Electric have linked a significant portion of executive and employee compensation to sustainability milestones, thereby integrating stakeholder expectations into individual performance incentives. Furthermore, the use of real-time dashboards and AI-based monitoring platforms has enabled these organizations to overcome previous technological barriers related to data transparency and accessibility (Stoughton & Ludema, 2012).

The study also highlights a shift in stakeholder relations, moving from one-way communication to negotiated governance through the double materiality assessment (T8). This process requires companies to consider the financial, social, and environmental impacts of sustainability. In this way, the companies in the case study are moving towards a vision-oriented approach (Oertwig et al., 2017), viewing sustainability as a driver of innovation and market leadership. Evidence of this includes product redesign (T6) to incorporate ecodesign, the circular economy, and low-carbon technologies, such as Safran's RISE engine project and Inditex's repair and resale program.

In summary, this study confirms that integrating sustainability into EU companies is a complex and dynamic process, driven by the synergistic effects of regulatory pressure, technological empowerment, and the transformation of governance structures. The study successfully validates the framework proposed by Morioka and de Carvalho (2016) in a current context, demonstrating that while integration pathways vary across sectors and organizational structures, the fundamental logic of systemic coordination is consistent among leading European market players. Sustainability integration is no longer limited to what companies report, but encompasses how they restructure their internal processes to ensure long-term viability and generate value for a wide range of stakeholders.

6.1 Limitations of the Study

While this study provides significant insights on sustainability integration, there are limitations to the study. First, this study is limited by its sample size and general applicability. The study focuses only on ten large listed companies in the Euro Stoxx 50 index. These companies possess substantial financial and human resources, enabling them to commit to sustainability integration. Therefore, the findings may not be representative of SMEs or companies operating in less regulated regions outside the EU. Secondly, this study relies on publicly disclosed information such as sustainability reports, universal registration documents, and annual reports. While these documents are audited and regulated, they are still ultimately self-submitted by companies. This introduces the potential risk of reporting bias or impression management, where companies may emphasize their achievements and strategic alignment while downplaying internal resistance or failures. This reliance on external documents limits the present study as it did not capture organizational frictions, cultural barriers, or political challenges that often hinder the practical integration of sustainability in day-to-day practices.

6.2 Recommendation for Future Research

Based on the findings and limitations of this study, future research should compare the integration processes of EU companies with those of US or Asian companies, given the differences in the regulatory frameworks of these regions. Similarly, comparative studies between large companies and SMEs will contribute to understanding how smaller companies, which often lack the digital infrastructure of large corporations, address the complexities of sustainability integration.

Future research should also consider integrating multiple theoretical frameworks to offer a more comprehensive understanding of sustainability theories. It is recommended that future studies should consider combining stakeholder theory with institutional theory as this could provide deeper insight into how external pressures and internal

motivations interact. Similarly, incorporating a resource-based perspective could enhance our understanding of how companies develop and use their sustainability capabilities.

Finally, this study recommends that future studies should adopt a quantitative research methodology to examine the relationship between sustainability integration mechanisms and sustainability performance and overall organizational performance.

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Appendices

Appendix 1. Case company details

| Company | Country (HQ) | Sector | Main sustainability program |
|--------------------|--------------|-------------------|--|
| LVMH | France | Luxury | LIFE 360 |
| AB InBev | Belgium | Beverages | Net Zero 2040 / 2025 goals portfolio |
| Sanofi | France | Healthcare | Planet Care |
| Safran | France | Aerospace | Act for the environment / RISE |
| Prosus | Netherlands | Tech Investment / | Environmental Sustainability Program |
| EssilorLuxottica | France | Eyewear | Eyes on the Planet |
| Schneider Electric | France | Energy Management | Schneider Sustainability Impact (SSI) |
| L'Oréal | France | Beauty | L'Oréal for the Future 2030 / L'AcceleratOR |
| TotalEnergies | France | Energy | Integrated Energy Model |
| Inditex | Spain | Retail / Fashion | Climate Transition Plan / Supply Chain ETP 2024–2027 |

Appendix 2. Coding Framework (Extended Codebook)

| Parent Code | Sub-Code | Description |
|-----------------------|------------------------------|---|
| Internal Context | Strategy | Sustainability embedded in corporate strategy |
| Internal Context | Governance & Structure | Board oversight and ESG governance systems |
| Capabilities | Human Resources | ESG-linked incentives, training, employee engagement |
| Capabilities | Financial Resources | Sustainability investments and funding mechanisms |
| Capabilities | Tools & Technology | AI, digital platforms, ESG monitoring systems |
| Processes & Practices | Production | Emissions reduction, resource efficiency |
| Processes & Practices | Supply Chain Management | Supplier sustainability and Scope 3 initiatives |
| Processes & Practices | Internal Control & Reporting | ESRS, double materiality, reporting systems |
| Offerings | Products & Services | Eco-design, circular products, sustainable innovation |
| External Context | EU CSRD / ESRS | Regulatory compliance and reporting alignment |
| Collective Drivers | Stakeholder Engagement | Partnerships, stakeholder dialogue |
| Contributions | Competitive Advantage | Innovation, cost efficiency, branding |

Appendix 3. Sample Data Extracts and Coding

Note: This table presents a selection of representative data extracts (N=87 coded fragments) used in the thematic analysis. The extracts illustrate how raw data were coded and aggregated into higher-level themes.

| Company | Data Extract (Paraphrased) | Parent Code | Sub-Code | Theme |
|----------------|---|-----------------------|-------------------------|--|
| LVMH | LIFE 360 programme structures sustainability strategy across climate, biodiversity, circularity, and traceability | Internal Context | Strategy | T1 Governance-led Integration |
| LVMH | Board-level ESG Committee and environmental correspondents support implementation | Internal Context | Governance & Structure | T1 Governance-led Integration |
| LVMH | ESG criteria integrated into executive and employee compensation | Capabilities | Human Resources | T2 Financial & Human Capital Integration |
| LVMH | Scope 1 and 2 emissions reduced by 55% vs 2019 | Processes & Practices | Production | T5 Operational Integration |
| LVMH | Supplier programme reduces transport emissions and limits air freight | Processes & Practices | Supply Chain Management | T5 Operational Integration |
| AB InBev | Net-zero value chain target approved at Board level | Internal Context | Strategy | T1 Governance-led Integration |
| AB InBev | Sustainability linked to employee bonuses (10–20%) | Capabilities | Human Resources | T2 Financial & Human Capital Integration |

| Company | Data Extract (Paraphrased) | Parent Code | Sub-Code | Theme |
|--------------------|---|-----------------------|------------------------------|--|
| AB InBev | Scope 1 and 2 emissions reduced by 44.4% vs 2017 | Processes & Practices | Production | T5 Operational Integration |
| AB InBev | Supplier and farmer engagement programmes implemented globally | Processes & Practices | Supply Chain Management | T5 Operational Integration |
| Sanofi | CEO incentives linked to sustainability targets (climate and access) | Capabilities | Human Resources | T2 Financial & Human Capital Integration |
| Sanofi | Double materiality integrated into internal control systems (CSRD/ESRS) | Processes & Practices | Internal Control & Reporting | T4 External Discipline |
| Safran | 75% of R&D investment allocated to environmental innovation | Capabilities | Financial Resources | T3 Digital & Technological Enablement |
| Safran | RISE engine programme supports decarbonised aviation | Offerings | Products & Services | T6 Sustainable Offerings |
| Schneider Electric | ESG-linked incentives applied to over 100,000 employees | Capabilities | Human Resources | T2 Financial & Human Capital Integration |
| Schneider Electric | Zero Carbon Project reduced supplier emissions by 56% | Processes & Practices | Supply Chain Management | T5 Operational Integration |
| Schneider Electric | EcoStruxure platform uses AI for energy efficiency | Capabilities | Tools & Technology | T3 Digital & Technological Enablement |
| L'Oréal | 100% renewable energy achieved across operations by 2025 | Processes & Practices | Production | T5 Operational Integration |
| L'Oréal | 67% of ingredients sourced from | Offerings | Products & Services | T6 Sustainable Offerings |

| Company | Data Extract (Paraphrased) | Parent Code | Sub-Code | Theme |
|----------------|--|-----------------------|-------------------------|--|
| | bio-based or recycled materials | | | |
| L'Oréal | Partnerships and social programmes support stakeholder engagement | Collective Drivers | Stakeholder Engagement | T7 Stakeholder & Ecosystem Integration |
| TotalEnergies | Methane emissions reduced by 65% vs 2020 through monitoring systems | Processes & Practices | Production | T5 Operational Integration |
| TotalEnergies | Multi-energy strategy integrates renewables and hydrocarbons | Internal Context | Strategy | T1 Governance-led Integration |
| Inditex | Supply chain transformation requires emission reduction plans (>4.2% annually) | Processes & Practices | Supply Chain Management | T5 Operational Integration |
| Inditex | 88% of fibres are recycled, organic, or lower-impact | Offerings | Products & Services | T6 Sustainable Offerings |
| Inditex | ESG reporting aligned with ESRS under CSRD | External Context | EU CSRD / ESRS | T4 External Discipline |