

The move towards an integrated sustainability and business strategy - A case study of four large Swedish companies

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Abstract

This study explores how far companies have come with the integration of sustainability into the business strategy. In a multiple case study, four listed Swedish companies' pursuit to integrate sustainability into their core business was investigated. Gond et al.'s (2012) framework, which builds on the two concepts of the *use* and *integration* of management control systems (MCSs) and sustainability control systems (SCSs), was used for the evaluation of data output. The findings from the study showed that all four companies work on integrating sustainability into the business strategy but are at different stages of the integration process. Both MCSs and SCSs are mobilized to deploy both business and sustainability strategies, as a response to increased external pressure, which successively have created business opportunities. The findings show that external reporting on sustainability data is not just "window dressing" or "greenwashing", but that sustainability is becoming an emerging strategy for long-term competitiveness for all companies in the present study. Thus, the companies are moving away from a risk management perspective with focus on compliance, to rather focus attention on finding business opportunities within a sustainability agenda.

Keywords: Management control systems, sustainability control systems, integration, business strategy, sustainability strategy

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Contents

1.	Introduction.....	1
2.	Previous Literature and Theoretical Framework	3
2.1.	Literature review	3
2.1.1.	Management control systems and strategy.....	3
2.1.2.	Sustainability control systems and sustainability strategy.....	4
2.1.3.	Integration of sustainability	5
2.2.	Theoretical framework.....	7
2.2.1.	The package of MCSs and SCSs	7
2.2.2.	The use of MCSs and SCSs.....	8
2.2.3.	The integration of control systems	9
2.2.4.	Configurations	10
2.3.	Application of framework and contribution to research	13
3.	Methodology.....	14
3.1.	Exploratory research approach	14
3.1.1.	The research design and choice of case companies.....	15
3.2.	Data collection	17
3.2.1.	Semi-structured interviews as primary data.....	17
3.2.2.	Secondary data	20
3.3.	Data analysis process.....	20
4.	Empirics	21
4.1.	SEB	21
4.1.1.	Sustainability.....	21
4.1.2.	Strategy	24
4.1.3.	Control systems	24
4.2.	Holmen.....	26
4.2.1.	Sustainability.....	27
4.2.2.	Strategy	28
4.2.3.	Control systems	28
4.3.	SCA	30
4.3.1.	Sustainability.....	30
4.3.2.	Strategy	32
4.3.3.	Control systems	33
4.4.	Atlas Copco	35
4.4.1.	Sustainability.....	35
4.4.2.	Strategy	36
4.4.3.	Control systems	37
5.	Analysis.....	40
5.1.	SEB	40
5.1.1.	The use of control systems	40
5.1.2.	The level of integration of MCSs and SCSs	41
5.1.3.	Sub-conclusion.....	41
5.2.	Holmen.....	41
5.2.1.	The use of control systems	42
5.2.2.	The level of integration of MCSs and SCSs	42
5.2.3.	Sub-conclusion.....	43
5.3.	SCA	43
5.3.1.	The use of control systems	43

5.3.2.	The level of integration of MCSs and SCSs	44
5.3.3.	Sub-conclusion.....	44
5.4.	Atlas Copco	44
5.4.1.	The use of control systems	44
5.4.2.	The level of integration of MCSs and SCSs	45
5.4.3.	Sub-conclusion.....	46
5.5.	Conclusion.....	46
6.	Concluding discussion.....	48
7.	References	50
7.1.	Printed sources.....	50
7.2.	Documents and presentations	54
7.2.1.	Annual reports	54
7.2.2.	Sustainability reports	54
7.2.3.	Internal documents	55
7.3.	Web-based resources.....	55
8.	Appendices: Interview data	56
8.1.	Appendix 1: Conducted interviews.....	56
8.2.	Appendix 2: Extract of interview questions.....	57

1. Introduction

“Did you ever expect a corporation to have a conscience, when it has no soul to be damned and no body to be kicked? (And by God, it ought to have both!)” (The First Baron Thurlow [1731–1806] Lord Chancellor of England. Cited in Poynder, 1844)

This old citation is highly relevant also in today’s modern society. After many years where focus has been on creating shareholder value the planet’s resources have been exploited and stakeholders’ interest have been sacrificed (Hopwood, 2009; Arjaliès and Mundy, 2013), and consequently this citation can be revived again. As a response to this shareholder focus, stakeholders have reacted and pressure has been put on corporations to take more responsibility for their actions (Gond et al., 2012; Zadek, 2004). Green initiatives have successively emerged and subsequently global cross-border agreements have arose and human rights initiatives have followed¹.

Stakeholders increased pressure have led to demands of reporting on these environmental and societal issues, which are connected to the concept of sustainability², and thus the financial reports are no longer sufficient. Global Reporting Initiative (GRI) have developed voluntary standards for reporting on these dimensions, including environmental and societal factors. Even though the standards are not legislated, larger companies are indirectly forced, to various degrees, to report according to GRI’s standards. If not applying the standards, suspiciousness is spread among stakeholders, thus compliance with the reporting standards is needed for a commercial purpose (Sustainability Audit Partner, 2015). To protect themselves from bad publicity and litigations, corporations have to meet the demands of external pressure and regulations.

The purpose with GRI is to encourage sustainability reporting as a tool for organizations to become more sustainable and foster sustainable development. These external reports may however be used by companies to communicate selected information and might be skewed from what is incorporated in the everyday business. Furthermore, these reports are not audited so only reasonable assurance of the data and the underlying activities in the business can be made by the audit firms, thus discrepancy might occur (Sustainability Audit Partner, 2015). Cerin (2002a, 2002b) argues that these reports serve more as a PR product, rather than to be an effective control tool for corporate performance. A distrust in the society of companies’ real sustainability efforts has thus been up for discussion, labelled “greenwashing”³ and “window dressing”⁴. In order to comply with external pressure, many organizations have incorporated the sustainability rhetoric in their external communication and reporting, which may serve as a disguise for their real actions (Newton and Harte, 1997; Deegan, 2002). With this view sustainability is regarded as a concept which is not concretized in the business.

“The executive management have to walk the talk... it is not enough to just communicate sustainability figures in external reports. In the future sustainability will be a hygiene factor that will be taken for granted as a part of how to run the company” (CFO Atlas Copco, 2015). This statement does however contradict the previously stated view. Similarly, in

¹ Example of this is the Kyoto protocol, which is an international agreement linked to the United Nations Framework Convention on Climate Change, and United Nations’ Universal Declaration of Human Rights.

² Sustainability in a business context refers to a long-term perspective of economical profitability that incorporates an environmental and social sustainable business model. The concept of sustainability will be further defined and explained in the next section, literature review 2.1.

³ Greenwashing is a concept used for corporations which externally communicates itself as having an environmental image or product, whereas the opposite is true and for instance the product actually is damaging the environmental.

⁴ Window dressing in this aspect refers to a strategy where corporations seek to deceitfully improve the appearance of the company to stakeholders. Thus the sustainability reporting is not a true reflection of the companies.

a report requested by Chartered Institute of Management Accountant (CIMA) where over 1000 business leaders participated, 93 % of the CEOs believed sustainability to be a key point for success in the long run (Accenture and CIMA, 2011).

These contradicting views on whether sustainability is used as a PR tool or if companies in fact do take sustainability actions beyond regulations, is the starting point for this study. Research suggest that companies that do incorporate sustainability strategies are more likely to take more initiatives beyond compliance with regulation and external stakeholder pressure (Durden, 2008; Gond et al., 2012; White, 2009). By integrating the sustainability strategies into the overall business strategy “true” sustainability can be implemented.

This study aims to explore how far large Swedish companies, prominent in the sustainability field, have come in the work with sustainability and to get an insight of whether sustainability is incorporated in the business strategy. By using Gond et al.’s framework it can be understood to what level sustainability has been integrated in the business strategy. In this way it could be seen if the external communication is a disguise, or if companies do take sustainability seriously and not merely use it as a tool to please and mislead stakeholders. The following research question has been developed to fulfil the aim of the study:

How far have large Swedish companies, listed in sustainability indices, come in their process of integrating sustainability into their business strategy?

To answer the research question a multiple case study of four large listed Swedish companies has been made. The chosen case companies were SEB, Holmen, SCA and Atlas Copco and a total of 23 semi-structured interviews have been conducted. To get a fuller perspective of the sustainability work, interviews at different hierarchical levels in the organizations have been made, spanning from Office Managers, Site Managers, HR Managers, Sustainability Managers, Business and Finance Controllers and Chief Financial Officers. Approximately half of the interviews were conducted at the respective company’s office. The other interviews took the form of telephone interviews due to a large geographical spread of different Managers’ locations in Sweden.

Our findings show that all companies have started the process of integration of sustainability into the business strategy, however it differs between the companies in how far they have reached yet. This implies that the companies do not use the external reporting and other communication sources as merely a PR product. The interactive use of management control systems (MCSs) and sustainability control systems (SCSs) are further enabling emergent strategies to take form and drives the corporation forward to seek new opportunities. The companies are therefore moving away from a risk management perspective with focus on compliance, to rather focus attention on finding business opportunities within a sustainability agenda. How the companies mobilize MCSs and SCSs to deploy strategy do however differ between the companies. The integration is partly hindered by technical problems to include both business and sustainability data into one IT-system.

The outline of the paper is structured as follows: Chapter 2 will discuss previous literature and present the theoretical framework by Gond et. al. (2012) that will be used in this study. Chapter 3 presents the chosen methodological approach, methodological implications, design and execution of the study. Chapter 4 presents the empirical foundation that is analyzed in chapter 5 using the framework by Gond et. al. (2012). Chapter 6 finalize the study with conclusions, limitations of the study and suggestions for future research.

2. Previous Literature and Theoretical Framework

2.1. Literature review

In the World Commission on Economic Development (WCED) report (1987, paragraph 27) sustainable development is defined as “... *development that meets the needs of the present without compromising the ability of future generations to meet their own needs*”, especially with respect to the responsibility in environmental and social dimensions. Translated into the business environment this would signify an integration of short-term and long-term perspectives for a corporation where the firm’s and other stakeholders current need has to be balanced with the needs of future stakeholders (Dyllick and Hockerts, 2002). The concept of triple bottom-line (TBL) was developed by Elkington (1994, 1997). The argumentation behind the concept, with roots in WCED, is that a corporation should have to fulfil not only the economical profitability for a corporation to be successful, but also include requisites for social and environmental sustainability. The TBL consist of three dimensions referred to as the 3 Ps; People, Profit and Planet. These three dimensions are intertwined and have to be considered in the business life if corporations want to be successful both in the short-run perspective as well as the long-run.

The sustainability concept has gained respect and the external pressure to act responsible has increased wherefore new initiatives have developed. One of these is as mentioned the GRI that have developed reporting standards for sustainability data. Even though these standards are voluntary to comply with there is a high pressure to report on these matters. To seek stakeholders’ approval and to communicate the corporations’ sustainability work, the development of sustainability reports have become ever more common. Complying with the external pressure, a risk of “window dressing” and “greenwashing” are however identified. Moreover, Banerjee (2008) argues that these phenomenon are apparent and that the definitions of sustainability actually assists to limit the stakeholders’ interests and not increase them. Corporations thus report to satisfy stakeholders but the actual work is not corresponding to what is communicated. Further, the reporting of sustainability can act as way to create legitimacy, especially after loss of trust towards a corporation as a consequence of a publicly exposed ethical or environmental scandal (Banerjee, 2008).

As the critique of the external sustainability reporting and communication continues (Gond et al., 2009; Deegan, 2002) a paradigm shift is developing where sustainability is starting to be incorporated in the business and is not just used as external rhetoric. To incorporate sustainability into the business, beyond compliance with external pressure from stakeholders and regulatory demands, corporations have started to incorporate sustainability into the business strategy. The following sections (2.1.1-2.1.3) will discuss previous research within the connection between strategy and management/sustainability control and the integration of sustainability into the core business. In section 2.2 the framework to be used for the analysis will be presented. Lastly, in section 2.3. the application of the framework and contribution to research are discussed.

2.1.1. Management control systems and strategy

MCSs are used to support and implement strategy (Langfield-Smith, 1997; Otley, 1999; Simons, 1995; Mundy, 2010) and to shape action and practices for members in an organizations (Ahrens and Chapman 2007; Hopwood 1976). Otley (1999) has developed a framework of how to implement an intended strategy with the help of a systematic system of different management control techniques. The framework Otley uses is a top-down approach with a starting point in the objectives of the company that is set by the top management. This top-down approach is used to implement a predetermined strategy wherefore it does exclude all strategy that can emerge and accordingly potential opportunities may be lost in the process. Mintzberg (1987) argues that all realized strategies consist of both intended and emergent strategies. Instead of a top-down approach to control for indented strategies Simons developed a framework, Simons’ (1995)

levers of control⁵. Simons' definition of management control systems is: "*The formal, information-based routines and procedures managers use to maintain or alter patterns in organizations activities*" (Simons, 1995 p. 5). The framework embraces the implementation of intended strategies but also seeks to catch up on strategic uncertainties and thus emergent strategies may evoke. Simons argues for the important role MCSs has in finding strategic uncertainties and risks. Widener (2007) confirm that an interactive use of MCSs is used to scan external environment and to form strategic positions. Thus can formal controls minimize threats and by embracing opportunities, strategic renewal is possible (Simons, 2000). Accordingly MCSs are used as a support system for intended strategies but furthermore do shape the process of strategy emergence (Henri, 2006; Mundy, 2010; Simons, 2000). Different stages in a life-cycle can also affect strategic renewal along with changes in management teams (Simons, 2006). Mundy (2010) further shows, with empirical evidence, that the use of Simons' levers of control are relevant for maximizing the return on management.

2.1.2. Sustainability control systems and sustainability strategy

MCSs has its limits to include a broader range of stakeholders' interest, since the focus for MCSs is to support strategy which can create value for shareholders. It is therefore desired to develop other control systems where stakeholders' interest can be controlled for in order to control the companies' actions to comply with external pressure (Bonacchi and Rinaldi 2007; Burritt and Schaltegger 2010; Durden 2008; Herzig et al., 2012; Norris and O'Dwyer 2004). Zadek (2004) discusses the external pressure driving Nike to take more responsibility for its impact on the society where the path towards becoming more responsible is illuminated. It is further discussed that sustainability control systems (SCSs) are built and created as a response to external legal and societal pressure. These sustainability accounting systems are parallel control systems to MCSs and have thus emerged as MCSs does not included these sustainability dimensions as only shareholders' interest is considered. The underlying principle behind SCSs is that these sustainability accounting techniques have the same rationales as MCSs but answer to other than shareholders' interest and accounts for the sustainability agenda and thus work as tools to support and implement sustainability strategies as well as shape actors' practices with respect to these areas. In current literature it is advocated that an organization need alignment of its strategy with its performance measurement system. However, there is little explicit guidance of what strategic alignment of performance measures involve and how organizations achieve it. Perego and Hartman (2009) have explored the alignment of performance measures focusing on the company's environmental performance measures as the consequence of having an environmental strategy. The finding is that alignment to environmental strategy is almost exclusively achieved through increased quantification of environmental performance measures, and their sensitivity to managerial actions. It is therefore argued that measurability is needed to align it with strategy.

The research field of eco-control is a part of SCSs. The attention is directed towards the environmental and financial performance. Environmental control techniques are used to manage the environmental dimension of sustainability. Henri and Journault (2010) finds in a survey-based study on Canadian manufacturing firms that eco-control have an indirect influence on the economic performance. Other studies, for instance by Figge and Hahn (2004) discuss the link between the TBL and the value, which can be added to a corporation after taken into account the emergent cost from environmental and social damage that is caused by the corporation. This is thus an extension of Economic Value Added (EVA) with a TBL perspective. The value created for the corporation is related to the environmental damage and resources consumed. Shaltegger and Wagner (2006) discusses the need to manage the sustainability performance in form of sustainability balanced scorecard. Management needs a sound framework that links the environmental and social management with the business operations and strategy. The scorecard contains environmental and social information and this is linked with the economic business information and sustainability reporting.

⁵ The framework will be introduced further under section 2.2 as it is part of the framework used in this study

There has therefore developed two parallel accounting systems, one which is the regular MCSs and the other which accounts for sustainability dimensions. As the MCSs support the business strategy there is a large risk that SCSs is in the periphery and decoupled from core business. This would lead to SCSs are unable to reshape strategy and is more applied for compliance and risk management purposes. To diverge from a compliance driven purpose or the risk of being considered as window-dressing or greenwashing corporations need to integrate sustainability into the core business. There is thus not enough to have SCSs incorporated in the business and communicate externally, either in a separate sustainability report or an integrated (or combined) annual/sustainability report⁶.

Adams and Frost (2008) do however point out the connection between sustainability reporting and management practice. Their study aims to contribute to the field of to what extent sustainability reporting is integrated into management practices and especially planning, performance management and risk management. It studies how sustainability key performance indicators (KPIs) are being used to affect management decisions. The study concludes that, even though the pressure of producing sustainability reports has not been the significant driver for all companies for addressing the issues of corporate social responsibility (CSR) the development of sustainability KPIs for reporting has been focusing on social and environmental performance. The data collection needed to report external data has led to a developed data collections system and where the social and environmental performance data has been integrated into decision-making, risk management and performance measurement.

2.1.3. Integration of sustainability

The research field of integration of sustainability into the core business and its strategy is emerging. SCSs have been developed for the control of sustainability, however as sustainability grows stronger it is no longer acceptable by stakeholders that the sustainability is in the periphery.

Galbreath (2010) investigate what drives and shapes firms' demonstration of CSR, and in particular formal strategic planning. Strategic planning can be an informal practice however this is excluded in the study since previous literature assumes formal strategic planning is required for efficient performance and most firms rely on the formal strategic planning. Based on prior studies it is argued that strategic planning is assumed to be linked to CSR. It is thus expected for firms to be enabled by the strategic planning to take its responsibility and meet their stakeholders' demand. It is found that there is a link between strategic planning and CSR. This support the notion that firms that uses formal strategic planning develops an insight into stakeholders' demands for social responsibility and that understanding these demands is important for the survival of a company. The study further investigated the link between CSR and culture and found evidence that culture do impact on firms' attitude towards CSR. Thus it is important to understand the culture and how belief systems⁷ are designed so these corresponds with the firms' attitude towards CSR.

A study of Arjaliès and Mundy (2013) investigates the role MCSs have in managing the strategic process of corporate social responsibility (CSR). The authors use Simons' levers of control to understand and investigate how corporations use the MCSs to drive the strategic organizational change, supporting the sustainability target. The data used in this study comprises of France's largest listed companies (members of the CAC 40) and is used to gain insight into the "*structures and processes that companies employ to design, implement and monitor their CSR strategy*" (Arjaliès and Mundy, 2013). In the process the authors gain understanding of the way the organizations tries to reach their CSR-objectives; the relationship between

⁶ Integration well-used word and is often used in the field of research of sustainability reporting where annual and sustainability reports and integrated to form a combined report. In the purpose to not confuse readers the word integration will be used in connection to the discussion of transforming sustainability from being in the periphery to become a part of the core business. The integrated external reports will be referred to as combined reports, or combination of reports.

⁷ Belief systems is one of the levers in Simons' levers of control. It will be further discussed under section 2.2.2 in the framework.

the management of CSR and the other business processes. The role the levers of control have in enabling managers to identify and manage threats and opportunities associated with the CSR strategy is found to have particular importance. This then is seen as the forming of risk management processes, to support the organization to reach their strategic sustainable objectives. The study provides evidence that the use of MCSs have the potential to effect sustainability through processes in the organization that enable innovation, communication, reporting and the identification of threats and opportunities and thus strategic renewal can be achieved through CSR.

The evolving view is to look at CSR strategy as a tool to develop a competitive advantage (Porter and Kramer, 2006, 2011). This stands in contrast to the traditional accounting literature where CSR strategy only is an instrumental plan made by corporations in order to meet society's expectations, gain legitimacy and manage reputation (Gray, 2010; Milne et al., 2006). Arjaliès and Mundy (2013) argues that CSR strategy is an essential element of a corporation's core business. Even though greenwashing may exist, a CSR strategy will enhance long-term value (Moon, 2007).

CSR and sustainability strategy are thus in the long-term considered to be competitive. Perrini and Tencati (2006) argues that the success on sustainable long-term value depends on its stakeholder relationship. The new stakeholder view of the firm thus goes beyond previous work on the TBL and balanced scorecard. Companies therefore need such systems that measure and control its behavior, in order to respond to the stakeholders concerns and to communicate their results. These systems, sustainability accounting systems, should integrate the traditional financial corporate finance measurement with the stakeholder needs of sustainability performance. The article then presents the sustainability evaluation and reporting system (SERS), which is a methodology to monitor and track both qualitative and quantitative aspects of the overall corporate performance, bearing the stakeholder framework in mind. The model focuses both on economic profitability, social cohesion and environmental concerns. The article has focused its study on small and medium-sized enterprises. The authors mean that the lack of a shared, sound and recognized methods for doing this, might result in free riders that adopt fraudulent behavior and communicate untrue results. The authors argues that the core to performance evaluation and reporting processes is the integrated performance system. An ERP system, which enables the company to collect, process and share physical/technical and financial data. In this way it is possible to extract and provide decision-makers the necessary information, to assess the overall performance of the company and therefore be able to make the best sustainable judgments for the company.

Another more explicit way for companies to incorporate sustainability is to incorporate it into the everyday business activities. In a case study by White (2009) a global consumer company is investigated with the aim to understand how it builds sustainability into the rhythm of its business. In this process the company has built in sustainability strategies and accountability into its business units, and do not have the sustainability strategy in a separate department). The key is to build sustainability into the business rather than to present it as an additional activity. The sustainability strategy was a response to increased awareness in sustainability creating both outside and inside pressure. To make a change and become more sustainable the company had to be explicit about their stand on sustainability and to change the whole purpose of the company. This signaled to the employees that sustainability was not just something extra, but a central ingredient in the business. A key element to successfully implement sustainability into the core business is to have sustainability in the DNA and thus the culture in the company, this helps to drive behaviors and decisions at all levels. The same company have further been investigated in a study by Riccaboni and Leone (2010). As the company focuses on incorporate sustainability into the everyday business decisions using MCSs. This paper explores if and how management control systems have a role in implementing sustainable strategies. They investigate how MCSs work to convert these new sustainability strategies to actions and how MCSs should be modified to the changes in strategy. The authors find that to have a successful

implementation of sustainability strategy a key element is to integrate sustainability with traditional planning and monitoring systems.

2.2. Theoretical framework

With a foundation in Simons' levers of control (1995), Gond et al. (2012) have developed a conceptual framework for the integration of sustainability into an organization's strategy-making. This framework will be used in the current study as a theoretical lens for the evaluation of how far organizations have come in their integration process. In this section the chosen framework will be presented. The framework deals with two concepts; the *use* of MCSs and SCSs and the level of *integration* of these two systems. The concept of use is derived from Simons' levers of control and refers to a *diagnostic* or *interactive* use of control systems, whereas the socio-technical process (Emery and Trist, 1969) is used for the concept of integration, resulting in either a high or a low level of integration. By combining the two concepts' results, eight configurations can be identified.

In the next section the concept of use and Simons' levers of control are discussed followed by a brief discussion of the choice of different MCSs and SCSs. Thereafter, the concept of integration is deliberated on and finally the eight configurations are discussed.

2.2.1. The package of MCSs and SCSs

Gond et al. (2012) does not use the strict notion of Simons' levers of control (1995). In accordance with Mundy (2010) they instead use a package of different MCSs and SCSs. Gond et al. (2012) selected the different MCSs from previous research regarding management control by the basis of their contemporary relevance, completeness in cybernetic control in practice and tangibility and accordingly came up with a package of MCSs which are used by organizations. As mentioned in the review of previous literature different SCSs have been developed alongside the regular MCSs, which encompass control systems to meet external pressure from a wider range of stakeholders. To theorize the integration of the two different control systems the authors have chosen SCSs that corresponds to the chosen MCS. Below these MCSs and SCSs will be briefly explained.

Strategic planning

The strategic planning is the process of implementing the intended strategy in an organization. The plan extends over a longer timeframe, between five and ten years, and constitute of what actions the organization will take and how to allocate resources to be able to realize its intended strategy (Anthony and Govindarajan, 2007). Corresponding SCS to this strategic planning is sustainability planning (Bonacchi and Rinaldi, 2007).

Budgeting

This is a tool used to effectively plan in a short timeframe, oftentimes covering the planned revenues and expenses over the next coming year. The budgeting process both covers the initial planning, evaluation and potential revisions (Anthony and Govindarajan, 2007). Parallel to the regular budget process as a MCSs, environmental/sustainability budgeting has been developed (Burritt and Schaltegger, 2001; Roth, 2008).

Financial, non-financial and hybrid measurement systems

Financial measurement systems contain more specific financial performance for evaluation of a units or the organization's financial performance (for instance profit margins and return on assets). Non-financial measurements are on the other hand expressed in non-financial terms and can be customer satisfaction and market shares. Hybrid measurement systems are a set of financial and non-financial measurement set as indicators to achieve an intended strategy, such as balanced scorecard (Anthony and Govindarajan, 2007). These measurement systems have a counterpart with related sustainability measurements which for instance are sustainability value added, sustainability balanced scorecard and sustainability performance measurements (Figge and Hahn, 2004; Figge et al., 2002; Hubbard, 2009; Schaltegger and Wagner, 2006).

Project management

A project is a set of activities in an organization with an intention to accomplish a specified result. Project management is thus the review of this set of activities, where planning, execution and evaluation of the project is included, this to ensure that timeframes and budgets are held (Anthony and Govindarajan, 2007). From management control, counterparts has been developed to manage specific environmental and social projects (Schmidt et al., 2004; Burritt et al., 2009).

Evaluation and reward

To motivate members in the organization to behave in accordance with the organization's best interest, incentives in forms of rewards can be formed. Where bonus payments are a common reward system (Anthony and Govindarajan, 2007). Multidimensional reward system, including sustainability targets can incentivize members to act in compliance with the organization's sustainability goals (Dutta and Lawson, 2009).

2.2.2. The use of MCSs and SCSs

The first concept – use - is derived from Simons' levers of control (1995) where a distinction is made of how control systems can be used. In accordance with Simons, the control systems can be used either diagnostically or interactively and this lay the foundation for Gond et al. (2012). By choosing Simons' levers of control, Gond et al. (2012) seek to understand how strategy and sustainability can be influenced by MCSs and the use of them.

Simons' four levers of control

Simons' definition of MCSs is; *"management control systems are the formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities"* (Simons, 1995 p. 5). The definition thus exclude informal routines and procedures and social control which other studies regarding management control have included (Collier, 2005; Malmi and Brown, 2008). However, to be able to study the direct relationship between MCSs and SCSs, Gond et al. (2012) choose the same definition as Simons and thus only look at the formal control process.

Belief and Boundary systems

To reinforce and communicate an organization's core values, top management use formal belief systems. Typically, belief systems comprise of credos, statement of purpose and mission statements where the purpose is to enable and inspire members in the organization to find new opportunities for the business (Simons, 1995).

Boundary systems are used to avoid risks and to restrict the domain of which activities an organization should engage in (Simons, 1995). Boundary systems can be divided into two categories based on what type of risk the intention is to avoid; strategic or operational. The former restrict the strategic areas whilst the latter regulates the members of the organization's actions. Boundary systems constitute of code of conducts and other rules and directives from the top management. Oftentimes these are written in a negative form which include what they are *not* allowed to do. Boundary systems thus restrict the organization's opportunity space and together with belief systems they form the organization's strategic domain (Simons, 1995).

Diagnostic control systems

The diagnostic control systems' purpose is to monitor the organizations outcome in order to find and correct deviations from pre-set standards (Simons, 1995). These feedback systems thus need to have the ability to measure the output and to subsequently be compared with the pre-set standards with the intention to fulfil critical performance variables. Common diagnostic control systems are business plans, budgets and balanced scorecard.

Interactive control systems

Interactive control is an information system which top management use to discuss and identify important strategic issues (Simons, 1995). The information works as a catalyst for discussions and is used actively by top management, frequently by all managers within the organization and is discussed at meetings at all hierarchical levels. When the top management are focusing their attention towards a certain issue and interactive control systems are used, the entire organization's focus is directed towards the same area and as a consequence this can further stimulate learning. To make the interactive control system successful Simons (1995) argues for the interactive use of only one system at time. Gond et al. (2012) however dispute this and put forward the ability to use more than one control system interactively in situations where complex information flows are valued.

Diagnostic and interactive use of MCSs and SCSs

Formal controls are used either to implement or formulate strategies (Simons, 1991). MCSs can be used in an interactive or diagnostic manner and Simons (1991, 1995, 2000) make a distinction between their contributions to the strategy-making process. Diagnostic use of MCSs has the intention to correct members in the organization's action and is a *management by exception* tool which helps the organization to achieve intended strategies. The interactive use of MCSs has on the other hand a purpose to direct the attention towards key goals and are considered to be *actual strategic levers* which helps the organization to formulate strategies (Gond et al., 2012). Interactive use of MCSs thus helps an organization to detect and give guidance to emergent strategies by focusing the attention towards strategic uncertainties. In this way Mintzberg's (1987) theory of realized strategies are acknowledged, where realized strategies constitute of both intended and emergent strategies.

Even though Gond et al. (2012) discuss the use of formal control as either diagnostic or interactive, two of the four levers, belief systems and boundary systems are not neglected. The distinction between diagnostic and interactive use of control systems is made to enable the authors to theorize if organizations can integrate sustainability into its strategy and permits different configurations to be formed (Gond et al., 2012). Belief and boundary systems cannot be separated from the other two systems, instead they surround them (Simons, 1995, 2006). Diagnostic control systems, together with boundary systems, form the controlling levers in the MCSs. They constrain and ensure that the organization do not slip from the intended strategy and these two systems thus forms a bi-directional relationship. Contrary, belief systems and interactive control systems are both enablers that serve to empower actors and find emergent strategies. Although belief and boundary systems are not explicitly a part of the *use* of MCSs, these two levers can yet be used to interpret finding due to the bi-directional relationship between belief-interactive systems and boundary-diagnostic systems (Gond et al., 2012).

2.2.3. The integration of control systems

The second concept that Gond et al.'s (2012) framework deals with is the integration of MCSs and SCSs. When looking at the mode of integration they use a socio-technical process (Emery and Trist, 1969). This is the interface between the two systems which consists of three dimensions; technical, cognitive and organizational (Gond et al., 2012).

Technical integration

Gond et al. (2012) define the technical integration as; "*the integration of regular MCSs with activities and systems that can be described as internal sustainability management control but are dealt with outside the management control function of organizations.*" MCSs and SCSs as described in previous section are presented as two parallel systems, however, there is potential to technically integrate SCSs into the MCSs. This involves to methodologically link the two parallel control systems in a way where there for instance is a possibility to gather information from both systems due to an existence of common calculability infrastructure.

Organizational integration

This dimension of integration refers to both the organizational structure that motivate MCSs and SCSs and to the practices which actors' have in relation to both control systems. Consequently, the dimension encompass both that the organization *have* the two control systems but also what people in the organization *do*. Organizational integration can be achieved in organizations where a set of common practices of reporting or management control have been developed by groups, even though they do not operate in the same system or belong to the same part of the organization structure (Gond et al., 2012).

Cognitive integration

Cognitive integration between the two control systems refers to a common set of mindset regarding sustainability within an organization. By using communication platforms, interaction between people with different mindset and experience regarding sustainability is enabled. The communication platforms can thus facilitate exchange of knowledge where understanding can be reached and the organization can overcome cognitive boundaries or redefine them. Shared cognition among managers working in either the mainstream strategy control or sustainability should be a reflection of a full integration of the two systems (Gond et al., 2012).

These are the three dimensions in the socio-technical process of integration of MCSs and SCSs. The integration of the two control systems does not necessarily need to be fulfilled in all three dimensions. All three dimensions can co-exist and collaborate in linking the two systems; however, they can also compensate each other if there is a lack of integration in one dimension. For instance, a lack of technical integration can be compensated for if the organization have a strong shared cognitive mindset and/or shared practices among those who use the two systems that enable circulation of information and knowledge. Integration in one dimension may also lead to coupling of the other two, such as when technical integration is reached this may lead to increased share of practices which in turn can lead to increased understanding for a common cognitive mindset (Gond et al., 2012).

2.2.4. Configurations

The two emphasized concepts - the *use* and the mode of the *integration* of MCSs and SCSs - are combined to form eight different configurations, which are considered to be ideal-types (Weber, 1904). In one dimension the MCSs and SCSs can either be used *diagnostically* or *interactively* and on the second dimension the level of integration can either be *high* or *low* with regard to the three integration dimensions. Below the configurations will be shortly described along with their stability, empirical verisimilitude and capacity to simultaneously enhance the TBL as described in Gond et al. (2012). The first four configurations have low integration of systems for financial and environmental/social control, whereas the last four have a high integration.

Table 1. *The eight configurations derived through different combinations of the use and integration of MCSs and SCSs, and their stability, empirical verisimilitude and effect on TBL.*

Overall level of control systems integration	Use of control systems		Configuration	Stability	Frequency	Tripple bottom line
	Management control system	Sustainability control system				
Low	Diagnostic	Diagnostic	Dormant decoupled strategy	Low	Low	Low
Low	Diagnostic	Interactive	Strategy emergence through sustainability	Medium	Low	Medium
Low	Interactive	Diagnostic	Compliance driven sustainability strategy	High	High	Medium
Low	Interactive	Interactive	Schizoid sustainability strategy	Low	Medium	High (short term)
High	Diagnostic	Diagnostic	Dormant integrated strategy	Low	Low	Low
High	Diagnostic	Interactive	Sustainability driven organisational strategy	Low	Medium	Medium
High	Interactive	Diagnostic	Peripheral sustainability integration	High	Medium	Medium
High	Interactive	Interactive	Integrated sustainability strategy	High	Low	High (long term)

Dormant decoupled strategy

This configuration has two parallel systems of management and sustainability control, where neither actually support nor deploy any strategy since both control systems are used diagnostically. This situation appears in organizations where there is a lack of vision for both the organization's strategy and sustainability. Its occurrence is scarce but can for instance be found in bureaucratic organizations in a monopolistic market or organizations that do not have a clear strategic direction. For organizations acting in a competitive market this stage is transitory since these companies survival is threatened as they either have to renew their strategy or they are forced out of the market. There is thus a low stability in the configuration and the empirical verisimilitude is low and mostly found when there is a strategy crises. As neither of the control systems are mobilized to deploy strategy the TBL cannot be reconciled in neither in the short nor long run.

Strategy emergence through sustainability

Sustainability systems are mobilized strategically by top management to create sustainability strategies however MCSs, as a parallel system, are used diagnostically. The use of SCSs interactively can be a reflection of an emerging strategic renewal through sustainability. This is a less plausible configuration but can be seen in bureaucratized or mature organizations with dynamic new sustainability departments. This configuration can however challenge a potential integration in all three dimensions if the new sustainability department is decoupled from the rest of the organization. There is an expectation of a good performance on the non-financial dimensions but the financial performance in the medium and long term will be threatened. There is thus a medium capacity on TBL and accordingly a medium stability in the configuration

Compliance driven sustainability strategy

In this configuration one of the MCSs is mobilized to deploy strategy whereas no or little attention is paid to sustainability, which instead is managed diagnostically in a parallel system. When there exist high external pressure for social and environmental issues this compliance driven configuration can occur. It can further be the early stage of sustainability integration where an organization have to respond to the external pressure regarding sustainability. SCSs is used to detect issues regarding sustainability or report externally that everything is under control. However, there can be a risk of being perceived as "greenwashing" or "window-dressing", as management can consider sustainability issues to be unrelated with the core business. Thus there is a low cognitive integration along with a low technical and organizational integration as sustainability is decoupled from the rest of the organization. As SCSs is used diagnostically, there is no room for learning and innovation there is a low capacity to improve TBL, however the financial performance may still be high. The stability in this configuration is high and is frequently occurring empirically.

Schizoid sustainability strategy

This configuration consist of contradicting traditional and sustainability strategies with decoupled control systems. This is an unusual state but can be found in organizations where top management have not yet solved tensions between sustainability issues and the core business or if top management or the board disagrees in priorities regarding strategic uncertainties. It can also appear in organizations with a fully developed sustainability strategy (or different sustainability strategies to meet the demand of different stakeholder groups) that is loosely coupled with the core strategy, this to develop a stronger shield towards external pressure to present a façade. These situations will yield a low technical and organizational integration and will further prevent a cognitive integration. These situations occur at medium frequency but have a low stability. There is high convergence of performances in the short run but the organizations fails to sustain it in the long run.

Dormant integrated strategy

Both control systems are used diagnostically and is thus not mobilized to deploy any strategy, however, the control systems are strongly tied together. As neither control system deploys strategy the TBL will be low. This configuration has the same rationales as for dormant decoupled strategy, with both low stability and frequency as this situation cannot sustain in the future. Its occurrence can be found in situations where for instance sustainability has been integrated in current balanced scorecard but it is only used diagnostically and not interactively due to radical strategic uncertainties such as hostile takeovers, which prevents mobilization of strategy.

Sustainability-driven organizational strategy

Here MCSs are used diagnostically whereas sustainability drives the strategy-making process through an interactive use of SCSs. This can be for a company in its early stage where they have not yet formalized its MCSs into its strategy-making and the need for controlling sustainability is higher, such as green start-up organizations or medium sized businesses that have developed their business model around sustainability. This is a transitory stage for an organization where the stability and frequency are both medium. These organizations perform well on social and environmental perspective but struggles on the financial side and thus the TBL is only modest.

Peripheral sustainability integration

In this situation organizations use their regular MCSs interactively to deploy strategy whereas SCSs are used diagnostically. This is a highly plausible configuration to be found amongst organizations, especially if organizations have drawn their SCSs from its MCSs. This would enhance both technical and/or organizational integration. However, the main strategic uncertainties are not considered to be related to sustainability and there is thus low cognitive integration. Instead sustainability is regarded as a constraint which affects the choices of strategy but does not create opportunities. This is common for commercially driven business models where financial consideration dominate for the majority of investors. Organizations scan their environment to find stakeholder's concerns, in this way they protect themselves against negative impact and financial losses. This can therefore be found when reporting systems are built to comply with external pressure and expectations and as compliance to sustainability is still an important driver, this is a frequently occurring configuration. Social and environmental dimensions are relatively low prioritized in contrast to financial dimensions but they serve to enhance the economic performance, thus the TBL is medium and the stability is high.

Integrated sustainability strategy

This configuration uses both systems interactively and there is a complete overlap in the strategy-making. This is however rare to find in the empirics. The interactive use of SCSs triggers learning and innovation and can enhance the performance on multiple dimensions in both the long and short run. The organizations can seek competitive advantages by integrating environmental and social issues in their products and can

thus create a differentiation positioning. This is the highest level of integration and the perception of sustainability as a part of the core business is shared.

2.3. Application of framework and contribution to research

This framework developed by Gond et al. (2012) will be a theoretical lens to understand the empirical findings in this study. The framework is thus not the absolute truth but is used as a lens and to structure the empirics to be able to arrive at any conclusions (Laughlin, 1995). The configurations discussed in the framework are as mentioned ideal-types (Weber, 1904) and do therefore not reflect the endless number of modes where organizations, in reality, may exist in their integration process. The framework helps to structure the empirics to understand how organization *use* MCSs and SCSs and the level of the *integration* between these two control systems to find to which configuration, or combination of configuration, they may belong to.

The framework will be used in the study to investigate how far the studied companies have come in their integration process. As the attention towards sustainability has become increasingly higher, from both an internal and external perspective as well as in the management literature. There is however few studies of the mode of integration of sustainability into the business strategy in the context of Swedish companies. This research aims to contribute to see how far Swedish companies have come in the integration process of sustainability.

3. Methodology

This section presents the method chosen for this study and the motivation behind. Firstly the research approach is explained, followed by the research design and choice of case companies. After that the procedure of the data collection and data analysis process is described

3.1. Exploratory research approach

The exploratory multiple case study method has been chosen for this study. The case study approach is the most appropriate method to choose for “how” and “why” questions (Yin, 2013), which is the scope of this research. The main reason for the exploratory case study approach lies in the nature of the research question, as recommended by Merriam (1988). The study aims to get “close” observations to the phenomenon and therefore the exploratory case study approach is an appropriate method for studying sustainability and management control implementation. The research design was not given from the early start of the study, but had to be re-evaluated during the process. Initially a scope of a single case study was at hand, but during article research and contact with companies, the decision to perform a multiple case study emerged. The following sections will cover the arguments for this and the research design more thoroughly.

For multiple case studies Yin (2013) argues that the *statistical* generalization method will not work for a case study, since cases are not “sampling units”. The view on the multiple cases is rather the same as of multiple experiments. The selection of choice of the individual case studies is therefore analogous to that of a laboratory investigator selecting the topic for new experiment. The generalization under these circumstances is the *analytic* generalization, where a pre-developed theory is used as a model to compare the empirical results of the case study to. The goal of the multiple case method is to be able to replicate findings across cases (Yin, 2013). If two or more cases in the study are found to support the same underlying theory, then replication can be argued for. The more cases that seem to support the same theory, but that do not support an equally possible rival theory, the stronger the empirical results will be (Yin, 2013).

Research quality

Since the research design should give assurance of a logical set of statements, the actual quality of the design can be verified through specific logical tests (Yin, 2013). The concepts of these tests include to construct validity, internal validity, external validity and reliability.

The four tests are commonly used in the whole spectrum of social science methods and are summarized by many authors, see for instance (Kidder and Judd, 1986). Below the four tests will be explained and linked to the research approach in this particular study.

The first test is to *construct validity*, which is to identify the accurate operational measures for the concepts that are studied. This is a common item for critique in case studies in general, that the researcher incorporates “subjective judgments” in the data collection. To manage this in the current study *multiple sources of evidence* were used as suggested by Yin (2013). In this study both written communication and reports from the different companies, as well as interviews with multiple people at different levels of the organizations investigated were taken in to account. A second step to construct validity is to establish a *chain of evidence* during the data collection. That is that the researcher makes sure that the chain of evidence is established and maintained during the case study, because the chain of evidence has to support the conclusions (Yin, 2013). For the purpose of this study a database was created and data was stored systematically with the same categorization throughout the four different case companies and levels in the organization. The database consists of notes from interviews and observations, typed interviews,

transcribed interviews and audiotapes. Also added to the database are downloaded material such as annual reports, sustainability reports, research articles in the field, newspaper articles and internal reports that have been obtained in conjunction with the interviews. A systematic coding of the material has then been made so as to be able to follow linkages both inside the studied organizations at the different levels, as well as across the organizations within the same position, for example the Sustainability Manager's perspective.

Internal validity means that the researcher seeks to establish a causal relationship. It is applicable for explanatory or causal studies and not for exploratory studies. This study has thus tested for *external validity*, which is to define the domain of where the study's findings can be generalized beyond the immediate case study (Yin, 2013). The regular critique states that single case studies have a poor starting point for generalizing. This is according to Yin (2013) a misconception, and that those critics refer to the situation of a survey research where a sample is projected to generalize to a larger universe. For case studies this analogy of sample and universe is inaccurate. Case studies (which is analogous to experiments) depend on analytic generalization, whereas survey research depends on statistical generalization. The analytical generalization means that the researcher aims to generalize a particular set of outcomes to a wider theory. In this case study the theory about configuring management control systems and the integration of strategy and sustainability have been chosen, and thus the domain to which the outcomes should be generalized to. For the generalization to be applicable the theory has to be tested by replicating the findings in more than one setting, where the theory has predicted that the same outcomes might occur. When such a direct replication has occurred, the outcomes can be seen as providing strong support for the theory. More replications will provide stronger support for the theory, which is why this study has focused on a multiple case study as will be discussed in a later section.

The operations of the study, such as process of data collection, should be able to be conducted by another researcher, arriving at the same results and conclusions as this study to provide *reliability*. Another researcher doing this very same case study should thus arrive at the same findings as in this one. The goal when conducting this study has thus been to minimize any subjective paths and biases. To avoid the study being influenced by the researchers' biases the documentation has been systematically processed using case study protocols and the case study database. The advantage of being two researchers conducting the study has also limited the one-person biases, since we constantly throughout the study have challenged each other's reasoning. This procedure has worked as a tool for doing proper documentation and reviewing interview protocols critically, in order to be able to build arguments and logics to each other. Yin (2013) refers to this process with the analogy of the accountants and auditors. The accountant is aware of that any calculation or booking has to be able to pass the auditor's professional skeptic eye. This mindset was kept from the beginning of the study and constantly challenged each other to be able to increase the reliability of the outcome of this study.

3.1.1. The research design and choice of case companies

Multiple case design

The study follows a multiple case design, which means that it contains more than a single case as basis for the conclusions. Multiple case designs have increased in use over the last years (Yin, 2013). The design has both advantages and disadvantages compared to a single case study. Generally the findings from multiple case studies are considered more convincing, and thus the studies are more robust (Herriott and Firestone, 1983). Two drawbacks of a multiple case study is that it cannot capture the unusual, critical, revelatory cases that a single case study would be able to, and it is often extremely time consuming and expensive, wherefore it is not often conducted by a single researcher. Yin (2013) nevertheless suggest that if the researcher have the choice and resources of doing more than a single case study, the multiple design would be preferred most of the times. His reasoning is that even if the researcher only do a two-case study, the chances of getting a better research finding will be better than that of a single case study. This is because in a single

case study the researcher would have to put “all eggs in one basket”, as he puts it, making the single case design more vulnerable. He also argues that the analytic benefits of studying two or more cases could be substantial.

The critical insight when doing a multiple case design is as discussed to follow a “replication design” (Yin, 2013). As Hersen and Barlow (1976) stated, the replication logic to a multiple case design is equivalent to the design used in multiple experiments. The method is that a finding from a single experiment should be able to be replicated by conducting a second or more experiments. The following replications might both be in a setting where the researcher tries to duplicate the conditions as for the first experiment, and where the researcher alter some conditions found in the first experiment that are considered unimportant to see if it still holds. It is with that type of replication logic that the original finding would be regarded as robust and it is with the same logic multiple-case studies is done. The choice of cases must then be carefully chosen. Either the researcher selects similar cases with the prediction on finding similar results, *literal replication*, or the cases are selected under the assumption that they actually will generate opposing results, *theoretical replication* (Yin, 2013). The case companies in this study are chosen with the important condition of a similar original setting, with the assumption that it would be a good starting point for predicting similar results.

All of the four cases, Atlas Copco, Holmen, SCA and SEB are large Swedish companies with large Swedish and international exposure. All of the companies have been carefully selected based on their perceived high involvement in sustainability work. All four companies have gotten attention for their sustainability work both with regard to won prizes for “best sustainability report” and alike, see for example Atlas Copco FAR (2013), and their listings on international index scores (Atlas Copco SR, 2014; Holmen SR, 2014; SCA SR, 2014; SEB SR, 2014). The four companies actively try to position themselves to the stakeholders as “sustainable” companies by announcing audited sustainability reports (Atlas Copco SR, 2014; Holmen SR, 2014; SCA SR, 2014; SEB SR, 2014), integrating sustainability in the annual report (Atlas Copco, 2014; Holmen, 2014), working with sustainability areas shown on their websites (Atlas Copco, 2015; Holmen, 2015; SCA, 2015; SEB, 2015) and integrated in the vision and mission statements (Atlas Copco, 2014; Holmen, 2014; SCA, 2014). The selection of these companies is made so as to provide a similar setting, and that they would be able to show similar results tested to the theory.

Yin (2013) argues that if all of the tested cases provide support for the original prediction, the researcher has support for the initial proposition. If they would not turn out as predicted, the researcher has to revise the initial propositions and then test it to another set of cases. Thus the central foundation in the replication process is to have a solid theoretical framework to lean on. In this study the theory developed by Gond et al. (2012) has been chosen and is further explained in the section 2.2. A lot of effort in the beginning of the process has been put on finding the most suitable framework to analyze the research topic to, since it is crucial that the framework states the conditions under which a certain phenomenon is likely to be found in a literal replication (Yin, 2013).

The number of cases chosen was deemed to be sufficient for this study, and in line with what Yin (2013) proposes. Four cases were chosen as a reasonable amount given the constrained time and resources that were available for this study, and yet to be able to achieve a more robust replication number (literal as well as possibly theoretical). Yin (2013) suggests having two or three literal replications when the issue being studied does not require a high degree of certainty or the theory is very straightforward. Since the theoretical framework by Gond et al. (2012) rather aims to map an organizations management control system integration to the sustainability control system, than to simply answer a “yes” or “no” question, two or three cases would be deemed too little for the aim of generalizing. Selecting a fewer number of cases requires prior knowledge of the outcomes, which is suggested in theory but not empirically tested in this particular setting. Four companies were found to fulfill the foundational criteria of being large, Swedish, listed

companies awarded with several sustainability recognitions.

3.2. Data collection

As discussed above a lot of emphasis was brought to the data collection. This section will outline the process and type of data that was collected. As suggested by Merriam (1988) numerous sources of data were used, in order to improve the quality of the study. Below sections will cover the process and type of data collected beginning with primary data and thereafter the secondary data.

3.2.1. Semi-structured interviews as primary data

The primary data in this study consists of 23 semi-structured interviews with 23 people at different positions in the organizations studied including a Sustainability Audit Partner at Deloitte, to gain a deeper understanding of the audit process and reporting. To have interviews as the primary source of data in a case study is proposed by Yin (2013) and Merriam (1988). The interviews were conducted in April – May 2015 and consisted of both face to face and telephone interviews (see appendix 1 for more detailed interview questions). The interviews lasted between 25-90 minutes. The possibility to ask follow up questions to all people interviewed were given, in order to be able to reach saturation (Eisenhardt, 1989).

Design and preparation

Initial contact with the case companies was made through e-mail to the Sustainability manager or equivalent position at all companies. The reason for targeting this position was to get the “top” perspective of sustainability for the organization at once, so that adaption to the rest of the case design could be made. Positions aimed for to interview after that were the HR-manager, the Product/Site/District/Office manager (in the below section further referred to as line manager, LM) and the Finance/Business controller or CFO per company. The interview schedule with different positions was developed with the underlying definition of sustainability as the TBL in mind. The HR manager as specialized in people, the sustainability manager that should be specialized in all three, the finance manager as specialized in profit and the different LMs would provide the perspective of how it is to actually work within the organization. The LMs would give the view of how they perceive that the organization is working with sustainability, more distanced from the top management perspective. The aim was to get as equally distributed interviews as possible among the four case companies. In some situations it was however not possible to get all four perspectives from one company. In those situations more follow up questions were conducted to the accessed interview persons, so as to get as equal and symmetric empirics base from the four different organizations as possible.

Execution of interviews

The first interview with the sustainability managers set the “tone” for the rest of the interviews within the organization. The first interview acted as a control check of how well rooted the sustainability work is in the organization, by that the manager explaining how they work on it. Since everyone is able to read the communicated sustainability guide, it was considered as an important perspective to interview the actual responsible person, to get an insight of how integrated the sustainability work is in the organization. An early realization in the interview work was that everyone seemed to have his or her own definition of sustainability. Some of the interview people also described daily business processes or policies without referring to them as being “sustainable strategic processes” by the definition, even though they clearly were if analyzed from a sustainable definition perspective. This definition issue was dealt with already from the beginning of the case study, since many other researchers’ definitions also varied. Therefore it was made clear in the beginning of this study what the used definition of sustainability is, so as to not confuse the reader and to be able to keep a straight reasoning. The topic of the definition of sustainability thus became an interesting sidetrack in the interview process, and was carefully documented bearing a possibly interesting analysis angle or future research topic.

The interviews with the other positions gave the possibility to ask niche questions to that specific area, which was a great possibility to get a more thorough base for analysis and a more holistic perspective of the organization. Since it was wanted to achieve symmetry between the four different cases in the interview sampling, more follow-up questions were added to those cases where there was a restricted access to all perspectives. A complete symmetry of perspectives is thus impossible to get since the companies operate in widely different industries with different stakeholders and regulations. Also the LM role differ across the cases since the operations are widely different, for example the LM in SEB is the Office Manager, whereas in Holmen it is the District Manager and those roles could not be exactly matched to each other. With that in mind the interviews were conducted in fairly the same way with some adjustments to role and company specific questions.

The interviews were conducted in a semi-structured way, which means that they followed a prepared skeletal interview guide. The questions included general role and responsibility questions, questions about the organization, work processes and sustainability view, which were common to all interviewees. Role and company specific questions were then added depending on who the interviewee was, and modifications were made to the questions along the process so as to be able to dig deeper in the answers. For an example of representative interview questions see appendix 1. Follow-up questions were made via e-mail and phone later on in the analysis process, when more data was needed.

Active listening in the analytical interview

The “analytical interview” by Kreiner and Mouritsen (2005) highlight the importance of collaboration in the interview process as to reach knowledge. The starting point is to look behind the respondent’s contribution, to understand the reasons behind the way they argue and give answers. First of all, all companies get used to their own routines over time, and therefore may develop ignorance to it. Once conscious choices may have become routines. Secondly, the interview person might not know the whole organization, since it is a controlling mechanism to keep the different parts separate in loosely coupled organizations to handle conflicts. Therefore one has to be conscious when taking the empirics as knowledge, since organizations can be structured so as to not wanting to give all perspectives to the employees in pure conflict management. One way to get around this issue is thus to see the analytical interview as an arena where the interviewer and interviewee in collaboration reach knowledge. Kreiner and Mouritsen (2005) recommend five strategies of how to manage the analytical interview, that will be discussed in the below sections.

Firstly, emphasis was put on active listening rather than in beforehand construct the ideal interview questions, since those questions only would be based on previous knowledge. Kreiner and Mouritsen (2005) means that too much focus on the right questions draws away the present mind of active listening and creative thinking. The interview questions were therefore used as an underlying skeletal, to have some kind of flow and to make sure that the critical areas in the end of the interview had been covered. The follow-up questions were then also an important part of the process, so as to get a fuller picture of knowledge.

The interviews often took the form of a conversation where the interviewer and interviewee collaborated in the process of understanding. It is also emphasized by Kreiner and Mouritsen (2005) that the interview session can be just as much a learning opportunity for the interviewee as it is for the interviewer. The interviewees often had to think one extra round around the questions and several times said out loud comments such as “I did not know this before”, or “interesting that you say so, I have not thought of that in that way before”. Since one of the greatest risk with an analytical interview is to not have both parts participating in the setting, since it hinders the shared process of creating knowledge (Kreiner and Mouritsen, 2005), words like that indicated that that the interviewee and the interviewer together participated in the learning process and creation of knowledge.

Sometimes this semi-structured approach made the interviewees drift away from the subject, wherefore the interview questions also served as a guideline to move forward to the topics that needed to be covered. Due to time constraints of the scheduled interviews this approach was sometimes exerted. The “drifted away” topics nevertheless served a purpose of a broader understanding as new insights were reached and largely helpful in the analysis, where all data was carefully analyzed. Most of the interviews were conducted with a recording device, so as to be able to transcribe the interview and follow up on interesting issues covered, and to relive the interview once again for the analysis section. Notes were taken both manually and by computer during all interviews by both researchers. This showed to be helpful afterwards since two people automatically focuses on different parts in the active listening process. This enhanced the analytical perspective in the later stage.

The interviews purposely did not focus on sustainability as the main theme, but rather on “everyday business management”. This was due to that a more genuine way of how they work, think and do everyday business was wanted. If too much focus had been put on sustainability it was feared that that would limit the thinking of the interviewees, as to only respond “politically correct” to sustainability related work, even if it would be decoupled to how they “actually” worked. Since the conceptual framework also focuses a lot on regular management control system, it was natural to not only talk about sustainability. The approach to the interviewees was to learn how they conduct their everyday business and with interactive listening, reach a deeper level of understanding in their answers, also reflecting how they really work with sustainability and how it really was incorporated in the everyday work.

In the interview process the two concepts of dilemmas and counterfactuals were actively listened to so as to distinguish between practice rather than thoughts and ideas (Kreiner and Mouritsen 2005). Dilemmas are due to contradictory concerns in this setting for example in practice versus decision-making. Since sustainability practice was an issue that wanted to be covered, follow-up questions, why-questions and clarifying-questions were asked, whenever a decision or way of working was mentioned. This is important to have in mind due to the actuality that the chosen decision or way of working might not be a coincidence and that some other way or decision could have been chosen. Counterfactuals on the other hand are the opposite of what has actually been observed. It was then important to understand why a certain choice had been made and not an alternative. To understand this, questions asking for examples were made to confirm current practice, but also changing the questions so as to challenge the interviewee of how it otherwise could have been viewed, to search for a contradictory view. Active listening played a large part in this. The interviewees understood that they were being challenged and responded to this in a thoughtful and careful way. Also in the analysis processes counterfactuals and dilemmas were highly sought after, so as to understand the underlying practice.

Implications when interviewing executive management

In the interview setup, several Executive and Leading Management persons were interviewed. As Kvale and Brinkman (2009) puts it, when interviewing “elites” certain challenges arise in the interview situation since there can be a power asymmetry between the interviewee and the interviewer. Also it is argued that “elites” do not speak of what the issues are really like, but rather states what already can be read in the communicated external reporting. It is therefore up to the interviewers to manage this situation. Since interviews with both Chief Financial Officers, Group Sustainability Managers, Group Business Units Managers and other high level managers were conducted, it was important to prepare beforehand so as to not be misled by the power asymmetry and take the answers as the absolute reality, as Kvale and Brinkman (2009) suggests. Preparation included reading and studying reports where the specific person had been involved such as statements in the annual report and sustainability report. When interviewing the approach

was to conduct a collaborating and active dialogue, so as to get away from the standard replies of already written communication.

3.2.2. Secondary data

Secondary data was complementary collected in order to improve the quality of the research design, and to allow for triangulation (Yin; 2013). External material such as newspaper articles, press material, annual reports, sustainability reports and the companies' websites were studied. Internal material such as business presentation material and presentation material was also analyzed. The external material was then linked to the specific interviewee and discussed during the interview so as to gain a deeper understanding.

3.3. Data analysis process

The data analysis process began after the first interview and was an ongoing process throughout the rest of the study. Constantly reflecting back at interviews, linking them together in a larger context, comparing to a different company's setting of same issue, emerging themes were taking form. In the data analysis process, all comments and notes were carefully read through. Almost all interviews were also allowed to be recorded, which then were transcribed. Both authors read through the transcribed material, plus the actively taken notes by both parties. Eisenhardt (1989) suggests this approach, since it allows each interview to be analyzed on a stand-alone basis, before analytically generalizing the material. The data was then coded and structured in a systematic way corresponding to the themes in the theoretical framework by Gond et. al. (2012). The main themes considered the sustainability management control systems and the management control systems; how different systems could be viewed as diagnostic or interactive use and on what configuration of integration the organization would be in. To analyze this the data was structured in how the company works with the sustainability report, how the sustainability department is structured and the process of sustainability emergence in the company. The overall strategy was analyzed so as to see whether sustainability is a part of that. Then the data was structured in the regular management control systems strategic planning, budgeting, measurement systems, project management and incentives program, to analyze where there would be diagnostic or interactive use and how sustainability control would be interlinked. The data that was collected, but did not was seen as relevant for answering the research question was removed, to ensure that attention only was put on relevant information (Miles and Huberman, 1994).

4. Empirics

This section provides the empirical background for the case companies SEB, Holmen, SCA and Atlas Copco. The empirics are structured by company in the same way of first introducing the company followed by a description of the sustainability areas of reporting, department structure and emerging strategy is made. After that the strategy is explained followed by a description of the control systems; strategic planning, budgeting, measurement systems, project management and incentives program.

4.1. SEB

A. O. Wallenberg founded Sweden's first private bank, SEB, in 1856. The Wallenberg family is a well-known Swedish family and financial dynasty, and still the major owners of the bank. The bank offers financial advice and services in the Nordics and the Baltic and employ 16 000 employees (SEB, 2015; SEB AR, 2014).

SEB's operational areas include Merchant Banking, Retail Banking, Wealth Management, Life and Baltic. The Merchant Banking facilitates commercial and investment banking services to institutional clients and large companies. The Retail Banking focuses on small and medium sized companies and private individuals with banking and advisory services. The Wealth Management includes their asset management of mutual funds and private banking services to institutional clients and high net worth individuals. Life is their life insurance services for private individuals and their corporate clients. The Baltic area focuses on retail banking services for customers in Estonia, Latvia and Lithuania (SEB AR, 2014).

SEB is included in The Sustainability Yearbook 2015 by RobecoSAM and the Global 100 Index of the most sustainable companies in the world. They are also listed in the indices; OMX GES Sustainability Sweden and Nordic Index, the FTSE4Good Index and the ECPI Indices (SEB SR, 2014).

4.1.1. Sustainability

Sustainability Reports

SEB has chosen to have separate annual and sustainability reports. There are two underlying rationales for the decision to not create a combined report. Firstly, the external report is a reflection of the organization's business and if sustainability is not fully integrated into the business the external report should not be integrated either. Secondly, the reports should be adapted to the target group that will read the reports (Sustainability Manager⁸, 2015). Nevertheless, there is still sustainability information included in the annual report, in connection to the separate sustainability report (SEB AR, 2014). A combined annual and sustainability report has investors as the target group, whereas other stakeholder groups request a separate sustainability report. The Sustainability Manager (2015) further stresses the mixed interest among investors regarding sustainability information. The interest is however increasing and the ones asking for sustainability information are investors with large funds. The investors who take sustainability into account in their investment decisions have oftentimes a longer time perspective and thus request the information gathered in a combined report (Sustainability Manager, 2015). The CFO (2015) although emphasizes that most investors have not reached this level of interest yet, but he can see a developing interest that goes beyond the financial results orientated quarterly reports. Investor Relations rarely receive questions about sustainability related topics (CFO, 2015). The sustainability report as it is presented today is not only used externally to communicate but is also used as an internal communication and education tool (Sustainability Manager, 2015).

⁸ Head of Corporate Sustainability

Sustainability department and structure

Within SEB the Corporate Sustainability department is situated under the Group Communication unit. The Sustainability Manager (2015) make a remark regarding the location of the sustainability department, it does not necessarily have to be located under Group Communication but can be incorporated under, for example, the finance department. The sustainability team is a center of excellence which comprises of three persons. Their tasks are to make sure that there are sustainability policies in place, to coordinate the sustainability work and to follow up and report on these areas (Sustainability Manager, 2015). Their agenda is thus to drive this integration process. SEB has a Sustainability Committee, which acts as the board to the Corporate Sustainability department. Within the committee, representatives from all business divisions and key functions are represented. The members of the committee has been delegated the responsibility to implement the sustainability strategy and action plans in their respective areas (Sustainability Manager, 2015; SEB, 2015). The sustainability work is thus, to a large extent, not done by the sustainability department instead they act as the driving force. *"It is important to remember that the work is done out in the business lines"* (Sustainability Manager, 2015). The Sustainability Manager (2015) thus have a close direct contact with the operating level, since it is in the line the work is done, as well as a good collaboration with the members of the sustainability committee. The contact with the finance department is less thorough, but there are dialogues in some areas for example in their investment decisions and procurement (Sustainability Manager, 2015).

Sustainability emergence

To SEB sustainability means that the organization should take responsibility for their businesses. This imply responsibility in how SEB conduct their business and how it affects customers, employees, environment, shareholders and the society in general. The ambition is to ethically create value with respect to three areas; responsible business, people/community and environment (SEB SR, 2014). SEB is confident that in order to be successful in the long-term all their businesses have to work according to this view (Sustainability Manager, 2015). Within the triple bottom line definition of sustainability; planet, people and profit, all areas are equally important and they co-exist in symbiosis (Sustainability Manager, 2015; CFO, 2015; Group HR, 2015; HR, 2015; Group Finance, 2015; Group Financial Management, 2015; Office Manager 2, 2015). *"If you neglect one parameter it will catch up on you and knock you in the head from behind. The world is three dimensional, and the employees are expected to work in line with this. You cannot work in a bank if you work two dimensional"* (CFO, 2015). The bank strive for both responsible and ethical business and to work with their indirect impact on the society and the environment.

The development of a particular sustainability strategy for the Group was undertaken in 2009 after a major investigation and a subsequent conference where a potential business case embedded in sustainability was discussed. The ideas from this conference formed the foundation of the initial sustainability strategy (Sustainability Manager, 2015). The mind-set regarding sustainability related issues has broadened over the years, from a focus on environmental issues to successively also include the impact the organizations have on the society, yet the definition it is not set in stone (Sustainability Manager, 2015). Even though the definition and the concept of sustainability is rather new it has evolved from the concept of corporate responsibility. The Sustainability Manager (2015) implies that *people* talk a lot about sustainability, responsibility and corporate social responsibility but that you should not get caught up in the wording. At an overall level, it is the consequences the businesses have that should be the guiding principle for what these wordings refer to. You should rather use a lot of common sense and have a long-term mind-set".

Even though the sustainability strategy is rather new and the concept has broadened, there is no novelty regarding parts of this definition where many parts already are incorporated into the daily business. For instance there was an environmental initiative at the 1990s, which evolved around the bank's personal footprint, where the bank indirectly affected environmental issues through their credit policies. Eventually also social parameters where included in the credit policies (Sustainability Manager, 2015). The finance

industry was late to realize their indirect impact and actors in this industry did not see their own environmental impact, since they “operated in the service industry” (Sustainability Manager, 2015). This initiative did help to illuminate the indirect impact the bank have on the environment and societal issues. A typical example of their indirect impact which they have to consider in the credit assessment is whether they should finance producers of nuclear weapons? Should they say no to such a customer or start a dialogue in an attempt to influence their mind-set? It is in some cases hard to make the delimitation which businesses to engage in: Should they finance the company that produces the screw, which is used in the production a nuclear weapon? If only a fraction of the total revenue for the producer originates from the nuclear-weapon-screw, would the decision have been different? The CFGH (2015) stresses that it might be simple in theory of how to make correct delimitations, but in reality this is hard. The bank is beyond the phase that people see sustainability as a compliance exercise (CFO, 2015). It is thus important that what you finance is done in a good and responsible way, which is the indirect impact (Sustainability Manager, 2015). This mind-set has now developed from a narrow risk perspective to a broader perspective (Sustainability Manager, 2015; Group HR, 2015).

As the external pressure and awareness concerning sustainability increases the need to incorporate sustainability into the daily business has become important. To be successful in the long-run there is therefore of essence that sustainability becomes integrated in the business and need to have this perspective in all decisions (Sustainability Manager, 2015; CFO, 2015; Group HR, 2015; Group Finance, 2015; Group Financial Management, 2015; Office Manager 2, 2015). SEB has built in this perspective in most of the decision processes, so as for the decision maker to weigh in all parameters for the right decision. The work now is to raise awareness and a dialogue within the organization, so that sustainability-related topics becomes automatic (Sustainability Manager, 2015; Group HR, 2015). They are working with workshops, seminars and education for all divisions and staff functions to raise the importance of these questions and to spread the knowledge (Group Financial Management, 2015; Group Finance, 2015). Since a bank mainly consists of people, it is important to ensure that they have the right competencies, motivated and satisfied employees and managers and the linkage is simple; the people creates the success (Sustainability Manager, 2015; CFO, 2015; Group HR, 2015). Healthy employees will feel better, have better health and will not burden the society with sick leave or the care system, so everyone wins (Group HR, 2015; Office Manager 1, 2015).

The success factor to SEB’s recognized sustainability work, according to the Sustainability Manager (2015), is that the bank early adapted the concept of sustainability and in a structured way clearly linked it to their business. She means that if you only make it as a project, it is easier to reject it if some does not want to work with it. Instead SEB builds in sustainability as a natural part of the organization, which they need to maintain. With that approach they also does not become as dependent on key persons (Sustainability Manager, 2015). SEB as a public company with a lot of shareholders should make the decisions that are best for the shareholders in a long-term perspective (Sustainability Manager, 2015; CFO, 2015). A lot of work that is done does not get communicated externally, but yet exists inside the company (Sustainability Manager, 2015). There is no way to drive long-term success if the dimensions in sustainability and risk and rewards are imbalanced. Today sustainability has become a very important component that utterly is about achieving that balance. The bank will have to confront large problems in the future if they cannot balance the dimensions. *“It is like a large optimization exercise where you cannot cheat on any of the parameters”* (CFO, 2015).

One challenge ahead is for many people to understand that it is not only about environmental questions, but a broader area. To describe what their role in society is, that they fill an important function to drive the society forward. To reach this a lot more knowledge is needed, and then the question is what knowledge is needed and if you should pick up that knowledge from inside or outside the organization (Sustainability Manager, 2015; Group HR, 2015; Group Finance, 2015; Group Financial Management, 2015; HR, 2015;

Office Manager 2, 2015). The downside of taking the approach to integrate it thoroughly in the business is that there are other factors competing for attention as well, so the integration takes longer time (Sustainability Manager, 2015). For example the Swedish equivalent to SEC (Finansinspektionen) have launched new rules that they have to learn and comply with. It is important to balance other factors than sustainability, which also are important for the business (Sustainability Manager, 2015; CFO, 2015; Group Finance, 2015).

In one of the offices where Office Manager 1 works, the terminology of sustainability is discussed less frequently. It has come up in relation to the implementation of their new credit policy a few years back. As sustainability is rarely discussed at this office it ends up last in the priority list and one raises the question if the work regarding sustainability is more compliance driven (Office Manager 1, 2015).

4.1.2. Strategy

Strategies in SEB are developed from an outside-in perspective where they follow the development of, for instance, customer segment, large companies, institutions, the private sector and small and medium enterprises. All these demands and requirements determine the direction of the strategy (CFO, 2015).

According to the CFO (2015) the most important thing for sustainable business is to dare to hold on to the long-term perspective. That it is important to not optimize a short-term profitability, to buy companies and invest in new market with risk. The bank should take small steps ahead with a long-term mindset, be predictable and transparent, even if some people would argue that to be a grey approach (CFO, 2015).

4.1.3. Control systems

Strategic planning

The bank is viewed both as a central and decentralized organization. The overall strategy and guidelines are developed centrally, whereas the units or divisions, within the defined frames, are free to make decisions, which are beneficial to the unit or division (CFO, 2015; Sustainability Manager, 2015; Group Finance, 2015; Group Financial Management, 2015; Office Manager 2, 2015). The centralized policies are nonetheless overpowering the decentralized decision-making, which is allowed at the operating level, thus few opportunities to use creativity are provided (OM 1, 2015). The Office Manager 1 also means that this structure provide few opportunities to use your own creativity (Office Manager 1, 2015). The ambition is to have a decentralized organization where the decisions are made close to the customer, while at the same time have a heavily centralized control system. This ambition applies both to the overall business policies and with respect to sustainability (CFO, 2015; Sustainability Manager, 2015; Group Finance, 2015; Group Financial Management, 2015).

Budgeting

The traditional cost budgeting is done with a top-down, bottom-up approach. The budget is set every year and stretches over a three year cycle based on predicted development for cost, revenue and balance sheet items. Revenue budgeting is on the other hand based on more planning than actual budgeting (CFO, 2015; Group Finance, 2015; GFM, 2015; HR, 2015). At the operating level there is a possibility to influence the budget, however, this is not prioritized: *“I can influence the budget if I am not satisfied but it is not worth it, if it is not a special case. There are other, more important, areas to focus my attention on. There are ups and downs in the industry which will affect the budget performance, however these will in the longer run cancel each other out. Thus, it is not worth spending too much time and effort on calculating an own proposal to the top-down budget”* (Office Manager 2, 2015).

The budget is evaluated on a monthly basis throughout the organization. The CFO reports the outcome of the budget to the executive management in a traditional Du-Pont analysis whereas the controlling department monitors the deviations and where, in the daily business, these originate from (CFO, 2015). They work with a traditional follow-up and the CFO stresses the importance of follow-up and a subsequent dialogue about potential deviations. The Office Manager 1 (2015) emphasizes potential micro and macro

factors behind deviations which managers cannot be held responsible for. There is a large tolerance of different ways of working in the organization, the important thing is to reach the targets. The Office Manager 2 (2015) explains the full mandate to deliver upon the budget based on operating managers' own judgement; SEB works with performance management.

Measurement systems

The bank's main targets consists of both financial and non-financial ones. These are categorized into the areas; financial, customer loyalty and employer satisfaction (CFO, 2015; Sustainability Manager, 2015; Group Financial Management, 2015; Office Manager 1, 2015; Office Manager 2, 2015). An important financial target is the return on equity (ROE) of 15% in a long-term perspective (CFO, 2015; Group HR, 2015; Group Finance, 2015; GFM, 2015). The target is set from a competitive point of view as well as to meet the shareholders' demands. As the bank have long-term owners the goal is not to maximize ROE but to optimize it on a long-term basis (CFO, 2015). *"The world is constantly changing and we aim to be profitable in 100 years and that cannot be done with quarterly – capitalism"* (Group HR, 2015).

In accordance with the budget process, the targets also have a three year cycle. The overall targets are decided on at board level whereas different committees in the bank, for instance the sustainability committee, set the specific targets (Sustainability Manager, 2015). Financial targets are relatively easy to set as they have measurability traits as well as people are accustomed to these types of targets (CFO, 2015). These targets are often evaluated on a monthly basis throughout the organization.

Part of the overall non-financial targets are customer satisfaction and employer satisfaction, these targets can also be linked to the overall sustainability strategy. There are different processes for these measurement where customer are a continuously ongoing process whereas to measure employer satisfaction a yearly survey is conducted (Sustainability Manager, 2015; CFO, 2015; Group HR, 2015; Office Manager 2, 2015). They specifically follow up how they work with customers, which becomes more of a feeling and is not yet so measurable. The Sustainability Manager (2015) emphasizes the challenge to find simple measurements as it is difficult to measure metrics that to some extents are based on "a feeling", for example customer satisfaction. Development of employees, diversity and internal education are other important measures within the area of human resources (Sustainability Manager, 2015; HR, 2015). The bank also have more specific sustainability measurements such as to reduce CO₂, which is continuously evaluated (Sustainability Manager, 2015). The Sustainability Manager (2015) explains that there are different processes for different measures and it takes time to incorporate everything. *"Financial reporting is a system that has been around for a long time and you have become used to it, unlike sustainable reporting"* (Sustainability Manager, 2015).

Project management

SEB works with projects on a continuous basis, regarding for example new solutions for customers, new products and internal efficiency projects. A new project to take advantage of the in house innovativeness has recently been launched (Office Manager 2, 2015). It is set up as an innovations lab, where employees can apply for a spot, to test their ideas or products. The person behind the idea gets full support from the bank to test it for a couple of weeks, and if it shows successful, further rollout in the organization can be made. SEB also look in to projects regarding different technology solutions for banking. Recently Uber in the Taxi industry and Airbnb in the Housing industry, have changed their specific industry (Office Manager 2, 2015). SEB then explores similar new industry changing banking technologies in project form, where they have the opportunity to become the first mover.

Incentive programs (Evaluation and rewards)

At the higher managerial level there is an incentive program and in the wealth management department. SEB today does not work with variable compensation as their general controlling model as it might lead to

sub-optimization, however there is an overall bonus program for all members in the organization. As a response the base salaries has increased in accordance with market price setting, and the society can thus not react on banks paying large bonuses (Group HR, 2015). The employee evaluation is coupled to both the targets for financial parameters and non-financial performance evaluations, which is the base for salary adjustments and linked to the bonus system. The ones that have a bonus program receives parts of the bonus immediately, whereas 40-60% is put in a stock program for three years, to control for a more long-term view (Group HR, 2015; Office Manager 2, 2015).

Management reporting systems in place

The financial reporting system in a bank is inherited from old, complex IT-systems. In a bank IT-systems are utterly important in order to conduct the business. The financial, non-financial and sustainability data is reported in different systems.

Sustainability extends over the whole business strategy and thus affect different departments of the organization. As an example Group Compliance is responsible for the work against financial criminality, which is part of the sustainability concept. The reports regarding this area goes thus directly to this department and not to the sustainability team. Hence there are different report paths for different sustainability related questions. The Sustainability Manager (2015) makes the analogy to the Human Resource function which work with SEB as a good employer and are responsible for these types of questions.

Integrated financial and sustainability reporting is done quarterly, where the Executive Committee follow up the financial and non-financial parameters (CFO, 2015). Group Finance works with the consolidation of financial data. One system is used for the legal reporting and one other for the internal reporting, and the bottom line is of course the same. The follow up and analyze is made on geography and business units (Group Finance, 2015).

4.2. Holmen

Holmen originates from 1609 and has over the 400 years of history developed to one of the largest and reputable forest industry companies in Sweden. The company has around 3 359 employees in the business areas of forest products and raw materials (Holmen, 2015).

The products areas comprise Holmen Paper, Iggesund Paperboard and Holmen Timber. Holmen Paper produces printing paper for magazines, product catalogues and book papers. The market is in Europe for magazine, book, newspaper and catalogue publishers and retailers. Iggesund Paperboard includes solid bleached board and folding box board for consumer packaging and graphical printing. The main market is Europe for converters of paperboard for packaging, wholesalers and retailers. Holmen Timber produces spruce construction timber and pine joinery timber for both the joinery and furniture industry, builders merchants and house construction firms. The main market is in Europe, North Africa and the Middle East (Holmen AR, 2014).

Holmen's raw materials business includes the areas Holmen Forest and Holmen Energy. Holmen Forest supplies the Group's Swedish units with wood and biofuel to the pulp and paper industry, sawmills and thermal plants. The annual harvesting of forest is 3,2 million m₃sub and the annual growth is 3,8 million m₃sub. Holmen Energy comprises hydropower, wind power and peat for the supply of electricity to the Group's Swedish units (Holmen AR, 2014).

In 2010 Holmen received the award for best sustainability report by FAR. They report on a GRI level of A+ and are listed on several international sustainability indices including; FTSE4GOOD Index Series, Ethibel Sustainability Index, The Global Compact 100 Sustainability Stock Index and OMXSUSTAIN Nasdaq OMX Nordics Index (Holmen, 2015).

4.2.1. Sustainability

Sustainability report

In the beginning the focus was on environmental related issues, then social issues such as work related accidents and diversity entered the agenda (Sustainability Manager⁹, 2015). In history the forest industry have had a bad reputation of not being an environmentally friendly industry (District Manager 2, 2015). Questions about how the Board worked with these questions and in relation to financial performance started to enter the Sustainability Manager's office, wherefore the work became rather resource demanding. In 2004 they made the decision to move from an environmental report to a sustainability report comprising 60 pages. In the sustainability report only a short section described the financial performance, since it was fully covered in the annual report (Sustainability Manager, 2015).

Between the years 2004-2008 they worked with a separate sustainability report. They had felt that stakeholders had started to look at companies in a different way, and that now also sustainability aspects had become more important. Since Holmen had worked with these questions a long time, the Environmental Protection Act came 1969, they wanted to show their sustainability work externally to the stakeholders. In 2008 they began to wonder why they had not made the step to report everything in the same report, since they already clearly had described that all the areas of planet, people and profit belonged together. At that time an integrated report was very unusual, but Holmen felt ready to enter the environmental and personnel part in the annual reports. The proof of their work came in 2010 when FAR awarded them with the prize of the best-integrated report (Sustainability Manager, 2015).

Sustainability department and structure

The Sustainability Manager is situated under the Technique department and has the responsibility of the environmental reporting and to the collection of all environmental related data. Holmen has a large pressure to measure a variety of different environmental-related information, for example to show that they fulfill the terms of CO₂ emissions. The Sustainability Manager collects the data and then presents it in the tables that are shown in the annual report (Sustainability Manager, 2015). In the daily work the Sustainability Manager (2015) answers a lot of surveys from sustainability analytics, for them to analyze the sustainability level in Holmen. The Sustainability Manager has in his daily work a lot of contact with persons in the different departments of Communication, Law, HR and Finance. The persons that are responsible for the environmental and personnel questions on the factories and pulp production sites are the ones the Sustainability Manager has most contact with (Sustainability Manager, 2015).

Sustainability Emergence

The view of the Sustainability Manager is that a company needs to be profitable, have goods to sell to customers that wants to buy them. Profitability is based on the employees in the company, wherefore it is very important to care for the employees, that they have a safe work environment, career possibilities and education (Sustainability Manager, 2015; HR, 2015). The definition of the triple bottom line is Holmen's definition of sustainability, all three parts need to have equal weight for a profitable sustainable company (Sustainability Manager, 2015).

⁹ Director of Sustainable and Environmental Affairs

To show that sustainability and profitability goes hand in hand and that the sustainability work is a natural part of the Group strategy, are all important factors that have contributed to the success of Holmen's sustainability work according to the Sustainability Manager (2015). He also means that their transparency in the sustainability reporting is a quality that has worked in their favor. The owners in Holmen are mainly large institutional investors that have a long-term perspective on their investment (Holmen, 2015).

A challenge has been to start all the activities regarding sustainability within the organization. The goal is that this should guide the employees in their daily work. The second challenge is how to follow up on this and to find and develop the guidelines and policies in accordance. A thought of the Sustainability Manager (2015) is to develop the internal auditing to follow up on this and that the procedure should be the same as for the financial areas (Sustainability Manager, 2015). Also the information needs to be made clearer so that it becomes well known for the employees about how important this is. They should therefore make this goal even more evident in the business plan and be better at communicating the business plan in Holmen. As it is now sustainability is still worked with at a more managerial level (Business Controller, 2015). The District Managers means that the view of sustainability in Holmen is well understood, but that the decision-makers within the politics do not always have the same understanding. Therefore they do not always make the decisions in line with Holmen's definition of sustainability (District Manager 1, 2015; District Manager 2, 2015).

4.2.2. Strategy

One overall target in Holmen is to have a return on operating capital of 11%. When they evaluate strategies, it is this target that they should achieve. This target is broken down to different goals for the operating capital, costs and revenue (Business Controller, 2015).

The goals for the District Managers are to manage their own forest and supply the industry with raw material. Re-growth of forest is the most important KPI, which is followed up every month with the revenue from the timber business (District Manager 1, 2015; District Manager 2, 2015).

4.2.3. Control systems

Strategic planning

Holmen has until recently not had a Business Code or Codes of Conduct. Instead they have had a large number of policies and guidelines. Just a couple of hours before the interview with the Sustainability Manager, the Board had taken the decision to introduce a Codes of Conduct that is divided upon the three areas Business Ethics, Human Rights and Environment. This will now guide the employees and business partners to work in the same direction. Before this decision they had identified confusion and disorder among the policies and guidelines out in the different business areas, they did not work according to the same guidelines (Sustainability Manager, 2015).

The targets in Holmen are set from a top-down approach with a three-year rolling business plan, sometimes longer dependent in the investments. The controlling department has a task to propose the business plan that the Executive Management then can evaluate. The targets in the plan spans over both the financial, technological, personnel, development and educational areas (Business Controller, 2015). There are targets for sustainability, fossil fuel and re-growth of forest (Chief Treasury & Controlling, 2015). The Business Controller (2015) stresses that the personnel is very important for them, since they are dependent on skilled operators. The personnel need to be motivated and for that they work a lot with motivation, catch up on their ideas and to give support (Business Controller, 2015; Sustainability Manager, 2015). *"To care for the employees is very important"* (Sustainability Manager, 2015).

Budgeting

The budgeting process begins in the fall when the controllers collect all the numbers and reports from the business areas. The controllers then report to Group Finance where the final follow-up and evaluation is done (Business Controller, 2015).

The District Managers work with the district budget that is made by the CFO and Regional Manager. The District Managers then have a dialogue with their Regional Manager about how they will reach the targets. The yearly budget is followed up quarterly (District Manager 1, 2015; District Manager 2, 2015; HR, 2015).

If the budget is not met they evaluate what factors that might have influenced the outcome. They always collaborate together and depending on the case makes reallocations between the regions to find solutions. This follow-up is made once a month. In the end the outcome almost always corresponds to the budget (District Manager 1, 2015; District Manager 2, 2015, HR, 2015).

Measurement systems

The Sustainability Manager (2015) explains that they work with sustainability according to the international definition of governance, social and environmental areas, and that they measure and report in accordance with GRI. *"We work with the questions in an internationally accepted way"* (Sustainability Manager, 2015). Even before GRI, Holmen have worked with the same questions (Sustainability Manager, 2015). Increased growth of the forest is an important target that they measure. They also have different climate related targets that they follow up monthly on the factories and on Group level once a year (Sustainability Manager, 2015). They have two targets that are important for the society, first to reduce the use of fossil fuel and second to increase the use of renewable energy (Sustainability Manager, 2015). Internally they have a very important target regarding their employees; to reduce the number of work-related accidents, which they actively work with (Sustainability Manager, 2015).

The Controller (2015) do monthly and quarterly reports to the Group. They evaluate the outcome and relate them to different KPI's. In the analysis they consider the external factors like exchange rate development as well as internal factors. Internally they follow up on how the different investment processes are going, productivity and personnel related KPI's among others. The monthly and quarterly reports thus contain both financial and non-financial data such as volume, safety, productivity development, completed employee dialogues, recruitment, inventory levels and other things they naturally measure (Business Controller, 2015).

Different measures are reported in different programs. The monthly report data is drawn out from their financial computer system Agresso, and then transmitted to an excel sheet. Both safety-related data, productivity-numbers and number of saws exchanges are found in Agresso. The different measures are reported in different ways but are all finally captured in Agresso. Quarterly the reports are consolidated in the Group's consolidation system (Business Controller, 2015). Reporting at Group level is done once a year where all the data is consolidated. Under the year feedback and follow-up is made at project group level. A crucial factor is that the project groups must make sure that they follow the environmental legislation, which then is followed up in great detail (Sustainability Manager, 2015; District Manager 1, 2015; District Manager 2, 2015).

Project management

Holmen work a lot with local projects. For example they have recently finished a wind power project, where they have built windmills on their own land to ensure more green energy for their business. Projects are also used to develop methodologies, technique and competence. Therefore the different areas in Holmen cooperate with various research projects, other companies and universities and innovators. Holmen means

that the key for long-term sustainability lies in increased productivity, and to reach that one has to fully utilize the technique and methods available and develop new ones. A project for Holmen Skog has been to decrease the fuel consumption and CO₂ emissions per transported log with the solution of using timber trucks that are longer and allowed heavier load (Holmen, AR, 2015). The projects are rolled out locally where the Team Leader has the responsibility of both leading the work locally, and to report and evaluate the progress with the manager. The projects executed in Holmen aim for both cost efficiency and to decrease the environmental impact, “two birds with one stone” (District Manager 1, 2015; District Manager 2, 2015).

Incentives program (Evaluation and rewards)

Holmen has taken away their incentive program. Before they had it as a tool to engage the employees, but since the industry is very volatile, the incentive program became a bit jagged and they decided to take it away (Business Controller, 2015; Chief Treasury & Controlling, 2015).

4.3. SCA

SCA was founded in Sweden in 1929 as a pure forest company, that over the years have evolved to also include tissue products and personal care (SCA, 2015). SCA is today a leading global hygiene and forest products company. The company is present in 100 countries and employs about 44 000 employees (SCA AR, 2014)

SCA have divided its business into three business areas that are Personal Care, Tissue and Forest Products. The Personal Care portfolio includes both incontinence products, feminine care products and diapers. The different products are sold both under SCA’s global, regional, local and retailer’s brands. The distribution channels are mainly retailers, pharmacies and care institutions. The Tissue business includes consumer tissue and Away-from-Home (AftH) tissue. The consumer tissue products include toilet paper, kitchen rolls and napkins. The products have different brands and are sold to retailers. The AftH tissue segment sells complete hygiene solutions with soap, tissues and service to hotels, hospitals and other industries. The smallest business area, measured in contribution of net sales to the Group, is the Forest Products. This branch includes paper for packaging and print, pulp and renewable energy (SCA AR, 2014).

SCA have gotten recognition on the list of the Worlds most ethical companies (2015). They have also been listed in several international sustainability indices including the OMXSUSTNC Nasdaq OMX Sustainability Nordics index, the ECPI Sense in sustainability index, the Climate Disclosure Leadership Index and the MSCI World ESG Index (SCA, 2015).

SCA has in the last months gotten a lot of attention in the Swedish media because of that executive management has used the company’s private airplanes for private hunts over the last five years. It has also been common that relatives of the management has accompanied on the flights (Affärsvärlden, 2015).

4.3.1. Sustainability

Sustainability report

The Sustainability Manager¹⁰ (2015) states that they have a combined report, not integrated as we proposed for labeling. In the report they describe the logic of how they motivate their choices, the stakeholder dialogue and how they work with their targets. When explaining their strategic short and long-term choices they have a greater possibility now to not only talk about the numbers, but to also explain what is behind the numbers. However a lot of politicians, analytics and investors have not yet fully understood that logic. About the investors, 17% of the current owners in SCA have sustainability criteria, so they have understood

¹⁰ Social Vice President

the logic. Others focuses more on the financial understanding and does not yet incorporate the sustainability aspects in their analyzes. It is a question of managing risks and opportunities (Sustainability Manager, 2015).

The Group report according to IFRS, which is not going to change in the near future. GRI reporting is, according to the Sustainability Manager (2015), rather abstract. To combine these two reporting standards they have to work with a combination process, since it is unreasonable to launch a report of 300 pages. In their work they aim to explain their business model in a practical way, still complying with the accounting disclosure requirements (Sustainability Manager, 2015).

Sustainability department and structure

The Sustainability Manager is responsible for the sustainability work within the Group and report directly to the CEO. In SCA they have chosen to put the Sustainability department as its own staff function, not as an under-function of Communication or similar. The sustainability work for the Sustainability Manager includes environmental, public affairs and corporate governance questions. To only have an environmental focus is an obsolete way of working with sustainability according to the Sustainability Manager (2015). They develop goal for strategies, sets KPI's, follow-up the operational units and supports them. The Sustainability Manager means that it is in the operations the work needs to be done, therefore the operations have their own responsibility and own their own questions, and the Sustainability function merely guides them. The collaboration is tightly interlinked and has to be for it to work, says the Sustainability Manager (2015).

In the daily work the Sustainability Manager has contact in the whole company, to support and follow up. She works closely with the Innovations department, does life cycle analyzes of the brands to bring forward what they want to communicate about them for both SCA and the brands. She also has contact with the factories and production sites with different projects of how to work more efficiently. The Sustainability Manager means that she works with all different parts in the organization, also including follow-up with HR department for different questions such as education and the Codes of Conduct (Sustainability Manager, 2015).

Sustainability Emergence

In the forest industry and industrial community, people took care of each other and the forest, but you did not think of it as sustainability then, the Sustainability Manager (2015) explains. The paper industry took over and the environment was exposed for both chlorine and other chemicals. This period has been tough on the environment and from that people have learnt more about their environmental impact (Sustainability Manager, 2015).

To work with these questions the executive management developed a sustainability integration strategy in 2010. The staff function of sustainability was set up and the role as the Sustainability Manager was created to take care of these questions. They have had a lot of positive response with that strategic direction of 2010. In the strategy they thought of an outside-in perspective, where they from a customer perspective with their products, could help the customers to decrease their own environmental footprints. The strategy was also set from a shareholder point of view, since the new strategy provided lower personnel costs, decreased their resource usage, which both saves costs and the environment (Sustainability Manager, 2015). The Sustainability Manager (2015) use the word combination rather than integration when she explains the sustainability integration in strategy.

The Sustainability Manager (2015) explains that if one would look back 350 years in history and then look forward 350 years in time, for a company to survive one has to ensure its relevance in society. To reach this a company has to create value in a sustainable way, therefore the areas of planet, people and profit are

tightly interlinked (Sustainability Manager, 2015; Group Executive Officer¹¹, 2015; HR, 2015). *“If one does not understand ones’ resource utilization, one will not survive. To overexploit the world’s resources are not sustainable”* (Sustainability Manager, 2015).

For SCA it is not a coincidence that their product portfolio consists of hygiene products. It has been studied what a huge different hygiene products have had on bringing down the level of diseases in developing countries, where they before had not washed their hands. SCA works to educate those countries in hygiene. They educate girls in the feminine monthlies, help in the law regulation process in countries where they do not have sanitation and girls have to be home one week per month because of monthlies. They work with incontinence solutions so that people can have a richer life and be able to live in their own homes a longer period.

4.3.2. Strategy

The core values in SCA are respect, excellence and responsibility for the environment (SCA, 2015; Sustainability Manager, 2015; HR, 2015). Excellence means that they strive to do their best and a little more, to be proud and to deliver beyond the stakeholders’ and shareholders’ expectations. Responsibility means that they have a positive impact on the environment, consumers and to each other as employees. They also need to work within the Governmental set specific Laws about Environment in a similar way as Holmen, the Sustainability Manager (2015) explains. The Group Executive Officer (2015) stresses the importance for SCA to keep their Environmental and Social certifications, which have clear guidelines for what is acceptable or not. The question of work environment is always the first question at every meeting the Group Executive Officer (2015) has. Through these values the Codes of Conduct has been built (Sustainability Manager, 2015).

The goal is to integrate sustainability as a natural way of working, just as the already existing ways of working. A challenge in this process is to overcome the lack of knowledge and understanding what these questions really mean, for all stakeholders. The Sustainability Manager experiences that a lot of people have not thought these questions through all the way, but when you reason in the way about looking backwards and forward 350 years in time, sustainability becomes rather self-explaining. It has been easier to understand the environmental impact and that you have to use the limited resources wisely, than the other factors of social and economic sustainability. The social value creation, that companies are contributors of the development of society, tax payers and that the employees takes the next step to analyze what the higher purpose with the company is, has people not yet focused the discussion on (Sustainability Manager, 2015).

Their customer focus approach, to always work with what is relevant for the customers is a large factor for their successful sustainability work according to the Sustainability Manager (2015). The challenge ahead is a continuation of this, to set measurable targets in all areas. To raise the hygiene standard through their hygiene solutions is one goal they have, where they work on finding relevant ways to measure their progress. Other targets such as raising the educational level around certain areas, such as incontinence, are also an example where the way of measurement is not set in stone (Sustainability Manager, 2015).

“Since people will continue to consume, they need to have the opportunity to make sustainable choices” (Sustainability Manager, 2015). SCA therefore work with sustainable solutions to solve different needs with the whole society in focus (Sustainability Manager, 2015; Group Executive Officer, 2015). Sometimes the Group Executive Officer (2015) though experiences that there are different views of the politicians what sustainable development means and that they have different definitions, which becomes an issue. For example politicians in Miljöpartiet (the Green Party) in Stockholm and Åre means that wind power is

¹¹ President and Group Executive Officer

sustainable, respectively not sustainable, and both parties use the arguments of sustainability in their opinions (Group Executive Officer, 2015).

4.3.3. Control systems

Strategic planning

The Group Management work with the strategy of SCA, where different committees work as a preparatory function for the decisions. They have a yearly strategy cycle with a larger review every third year on what circumstances that have changed and if they are in line with the world's development (Sustainability Manager, 2015; Group Executive Officer, 2015; HR, 2015). The targets are developed in networks in SCA. One example is the environmental targets, where a Committee as the preparatory organ works with the propositions and benchmarks that later is discussed with the Group Management. The targets are thus set both from a bottom-up and top-down approach. The Site Manager (2015) meets with the other managers in Europe twice a year with the Group Vice President where the overall strategy is communicated. Then there is a dialogue with the other managers of the strategy, and training and workshops of how to best proceed (Site Manager, 2015).

They work with integration of sustainability both for their customers to reach their goals and also for the production units to use less energy, water and have less CO₂ emissions. They have targets and social criteria for their suppliers. They have set KPI's in all these areas that they follow up on and evaluate (Sustainability Manager, 2015; Group Executive Officer, 2015).

Measurement of different environmental-numbers is the area that they have worked the longest with and now have a good understanding and processes of. When it comes to measurements of human rights and the company's responsibility for the whole product-chain, they are not on the same mature level (Sustainability Manager, 2015). The social measurements such as safety, number of accidents and diversity are reported per country from the HR department (Sustainability Manager, 2015, HR, 2015).

The Group Strategies are then broken down to team and individual level. Every employee has a personal development plan, where they meet with their manager three-four times per year to evaluate. They work with both education, development and projects to build motivation among the employees and raise their skill set. They also work with internet – based forums for the employees to share their ideas and with monthly themes for the innovation teams to get creative around. (Sustainability Manager, 2015).

Budgeting

The targets are set on Group level, thereafter begins a discussion if those targets are reasonable with the business areas. The work is dynamic and SCA believe in performance management, that the units should own their targets and only be controlled on the result (Sustainability Manager, 2015; Site Manager, 2015).

The Group Executive Officer (2015) means that the different business units almost work like subsidiaries where they work with strategy and budget. The business units are responsible to deliver on the targets in the budget, but are free to have their own work method around this (Group Executive Officer, 2015; Site Manager, 2015; HR, 2015). The exception is investments where the Group Executive Officer (2015) have mandate to take investment decisions up to 50 million SEK, but that the Board makes the larger or strategic investments (Group Executive Officer, 2015).

The operating targets such as cost efficiency, productivity, health, safety and the sustainability targets such as reduced energy usage and targets for how to develop the business towards a more environmentally friendly organization are in the budget. The operating targets thus need to follow the budget and is reported

and followed up continuously (Group Executive Officer, 2015). The follow-up is made monthly, at year end and three times a year where specifically the volumes are studied (Site Manager, 2015).

Measurement systems

SCA work with a balanced scorecard for their target KPI's. The scorecard includes KPI's on return on capital employed, organic growth, capital structure, people and environment (SCA AR, 2014). The non-financial targets are set to drive the right way of working to reach the overall targets on a long-term perspective. The non-financial targets include delivery distance to customers, product capacity and machine development (Site Manager, 2015).

Financial and non-financial data are reported in separate systems (Sustainability Manager, 2015; Group Executive Officer, 2015; Site Manager, 2015; HR, 2015). The vision of the Sustainability Manager (2015) is that they would work with reporting in an integrated function, and that vision has slowly started to evolve inside SCA. To only implement a system as a SAP system would not be the solution according to the Sustainability Manager (2015), since it is very complicated with limited functions and different versions. Today they report the non-financial data in a cloud-based solution, which is easier for a joint venture to work with. The Sustainability Manager (2015) means that it is a challenge to find a solution for an integrated report-system and that you might have to think outside the box for that solution (Sustainability Manager, 2015).

The follow-up internally depends on the nature of the metric and the operational units report weekly and monthly. At Group level the reporting is done quarterly (Sustainability Manager, 2015; Group Executive Officer, 2015; Site Manager, 2015). The Sustainability Manager (2015) explains that it is a lot of data to consolidate and you have to know what you use the numbers for. If the numbers does not enhance the controlling of the company, one should not report it. If some stakeholders nevertheless would have an interest of certain numbers that does not impact the controlling of the company, then there is a reason to report it. The general aim is however to not report numbers just because you can (Sustainability Manager, 2015).

Project management

SCA invests in projects for sustainable development that have a positive environmental impact, for example in renewable energy and energy efficiency (SCA AR, 2014). The Sustainability Manager (2015) describe that SCA has a lot of projects for improving the society such as education in hygiene and health for developing countries and various local community involvements. The projects in SCA are interactively conducted with a close dialogue to the target specific needs and the manager. SCA believe in performance management rather than micromanagement (Sustainability Manager, 2015). Business projects are financed through the units' budget, but larger investment projects are financed from the Group's investment budget (Site Manager, 2015). To further seize the creativity of the employees, SCA have developed an internal innovations platform. It is then used under the whole project phase, for people to ask for solutions and find people with right competencies. Only during the year 2014, SCA launched over 30 innovations and product launches and filed for 48 patent rights (SCA AR, 2014).

Incentives program (Evaluation and rewards)

The incentive program is based on the KPI's that are set in the yearly budget. They have a general incentives program for all employees, and then somewhat customized for different positions (Group Executive Officer, 2015, Site Manager, 2015). The Executive Management both has a short and long term bonus. The long term bonus is based on the SCA share price compared to a defined benchmark, the short term is based on the operational result for the year (Group Executive Officer, 2015). To the Group Executive Officer (2015) 50% of the bonus is related to the Group's short term operational financial result or cash flow. The other 50% he can influence what should be measured and linked. There he has the opportunity to set non-financial targets (Group Executive Officer, 2015; Site Manager, 2015)

4.4. Atlas Copco

Atlas Copco is a Swedish company founded in 1873. It is a global, world-leading provider of productivity solutions to more than 180 countries with over 44 000 employees. The Group's assortment includes compressors, vacuum solutions and air treatment systems, power tools and assembly systems, and construction and mining equipment. The products are developed with the focus of productivity, energy efficiency, ergonomics and safety. Sustainability KPI's include CO₂ emissions, safety and diversity. (Atlas Copco AR, 2014; Atlas Copco, 2015).

The Group is organized in the four business areas: Compressor Technique, Industrial Technique, Mining and Rock Excavation and Construction Technique. The Compressor Technique that provides industrial compressors, vacuum solutions, gas and process compressors and expanders and air and gas systems. The main customers for this business area are in the manufacturing, oil and gas, and process industries. The Industrial Technique provides industrial power tools and systems, assembly solutions and software services, mainly for the automotive and general industries. The Mining and Rock Excavation Technique are provides equipment for rock and drilling excavation and the complete range of the related consumables. This business area assists the productivity in surface and underground mining, infrastructure and civil works, well drilling and geotechnical applications. The Construction Technique contributes with construction and demolition tools, pumps, generators and lighting towers. It serves the infrastructure work, civil works, oil, gas and energy industry and the drilling and road construction projects (Atlas Copco AR, 2014). Atlas Copco develops products to customers that are operating in energy intensive industries. Corruption and human rights are essential problem areas for the company, as they operate in many emerging markets (Business Controller, 2015).

Atlas Copco have gotten recognition of their sustainability work in the Dow Jones Sustainability World Index and FTSE4Good. By Forbes they have been chosen as one of the 100 most innovative countries in the world and have been ranked as number 23 of the world's most sustainable companies by Global 100. In 2013 they were awarded with the prize of the best sustainability report by FAR (the Swedish industry organization for accountant consultants, auditors and advisors) (Atlas Copco AR, 2014).

"The motto in Atlas Copco is to have clean hands, a warm heart and a cold brain" (Group Finance, 2015; Group Financial Management, 2015)

4.4.1. Sustainability

Sustainability report

The CFO (2015) means that they themselves not have invented the sustainability reporting, but merely that it fits with the strategy of Atlas Copco, so to integrate it in the annual report was a natural step. They always follow what is best and most relevant for the business, not to get rewards, the CFO (2015) continues. What they are currently working on is to narrow down what they measure, to concentrate the resources and measure what is most relevant (CFO, 2015).

Sustainability department and structure

The Vice President of Corporate Responsibility has a central role in the sustainability work and has done a lot of the coordination. Sustainability at Atlas Copco is not controlled centrally, but is performed every day out in the divisions and business areas. In the annual report the sustainability work is only a document, the important thing is what actions you have, the CFO (2015) explains. They try to communicate their actions in the annual report in a good way and that they monitor sustainability performance in the same way as with financial result (CFO, 2015).

The Sustainability department has an internal board, which serves as a committee to discuss sustainability issues on Group level. Representatives from all business units are present in the committee, from managers to controllers. The committee's mission is to give advice on sustainability topics to the Group management. They also give advice of sustainability strategy and monitoring (Business Controller, 2015).

Sustainability Emergence

Their work of integrating sustainability reporting started two years ago. They did not start the work to "look good" in the market just because there was a trend in the market to pay expensive consultants for a sustainability report. Before they had had different KPI's on for example diversity, and how they used their transports to minimize cost from a long-term environmental perspective. The work that still had not been done was driven from an external pressure of also reporting those KPI's. Now two years afterwards, the annual report from Atlas Copco also mirrors the sustainability KPI's. They were early adopters to this way of reporting; they saw a trend in the market of integrated reporting that they thought was an interesting opportunity for them to adopt. Since Atlas Copco's strategy always have had a sustainable strategy, with their 142 years of history, the holistic approach was nothing new for them and therefore fairly easy to also communicate externally in the annual report (CFO, 2015). However it does not mean that they are fully learned on all their KPI's, but that it is a prioritized work they continuously develop (CFO, 2015).

The CFO (2015) means that sustainability integration will become a hygiene factor in the future, it will be taken for granted that companies drive their business in a sustainable way. He have also noticed that more and more people care if the company is trustworthy or not, and does not only look at ROI. Also it will become more important that one can identify oneself as an individual with the company. Customers and shareholders requirements will increase, and from a competition perspective one has to incorporate that in the business model. The CFO (2015) means that Atlas Copco in not a precursor, but that they take it for real, have high ambitions and view sustainability as an integrated part (CFO, 2015).

4.4.2. Strategy

The Group means that there is no difference between a sustainability agenda and a normal profitability agenda, which is their goal (CFO, 2015). Their ultimate goal has thus become *sustainable profitable growth*, to underline that the business needs to be good on a long-term perspective and that there is no contradiction between sustainable and profitable growth. There is no opposition between the two, since being sustainable and profitable origins from the same driving force (CFO, 2015). The goal viewed from an owner perspective is first and foremost to be profitable, then follow ethics and moral and be a good player in society and strive for increased diversity (HR, 2015).

A factor of why Atlas Copco have been successful with their sustainability work is that they "*walk the talk*", according to the CFO (2015). He means that the sustainability work is an integrated part all the way from the Group Management down in the organization. This shows the organizations that it is for real, and not just a necessary evil. They have both activities and projects that strive in that direction, and also incorporated in their investment decisions (CFO, 2015). The CFO (2015) continues with that it is a question of culture in the different units whether the sustainability integration will be successful or not. He does not believe in flashy campaigns, but that it should take time for it to sink in thoroughly. The aim is that the questions of sustainability should be raised at all the hundreds of operational meetings in the organization and not just at the strategic level at the headquarters (CFO, 2015).

The Product Manager¹² (2015) means that they work rather reactively with sustainability issues when they get questions about it. Just recently a team is evaluating the products in his portfolio, to see how they can

¹² Senior Product Manager

make them more environmental friendly. The Product Manager (2015) describes that the sustainability questions are driven internally from the CSR/environment/safety and health units, and not from external parties. The Product Manager (2015) means that the customers he has contact with request solutions linked to lower costs, possibly also choice of material, lipids and oils, so they do not use unauthorized material. The Product Manager (2015) emphasizes that they work with sustainability questions more reactively. Sustainability for the Product Manager (2015) is a rather “fluffy” concept and the definition he thinks of is how products are environmental friendly. To the left of the interview table where we sit, there is a large advertising poster on the wall with a picture of a construction employee and the words “Sustainable construction”. The Product Manager (2015) asks us; “what does it mean, sustainable construction?” After a couple of minutes of analyzing it, he explains that it possibly means how the construction is used in society and how it contributes to a sustainable business. The Product Manager (2015) means that the concept is still too fluffy and undefined, and that they have not worked with so long that they can associate it to the different areas.

The Product Manager (2015) seriously thinks it is important to integrate sustainability in the business units. He has noticed that customers ask more and more about their targets on sustainability, and if they do not respond to that they will miss out on those customers which then becomes an economical aspect. He thinks that they could do a better job with communicating to the customers what they actually do in the field, than what they currently do. He means that they could build their brand around sustainability more and get more goodwill in association. Regarding all awards and index listing for Atlas Copco, the Product Manager (2015) is a little surprised when we mention it, since he does not feel the sustainability work inside the organization. The Product Manager (2015) suggests implementing the Sustainability work in a broader organ in the company, since it is not rooted all the way down. His proposal is to largely enhance the communication to stakeholders, in the daily business and out to the customer.

4.4.3. Control systems

Strategic planning

The Product Manager (2015) describes the organization as decentralized, since they work in teams and that every market has their own local sales force. They work according to performance management rather than micromanagement, where everyone builds their own work plan. The targets are set up together in the teams, which follow the Group’s growth plan. The teams and the Group Management then have a dialogue to set the final plan. The targets for the Product Manager thus concern the different growth targets (Product Manager, 2015).

Follow up from the sales teams are made quarterly, when the numbers are consolidated. If the sales for the period deviate against target, they analyze the underlying cause whether it depends on a weakened market or a bad plan. The team that the Product Manager (2015) works in is quite large, since he also has a virtual team where he gets lots of informal reports.

Budgeting

The budget is set both from a bottom up and a top down dialogue. A larger review of the budget is made once a year and evaluated quarterly. They work with a rolling budget system that is controlled by revenue (Product Manager, 2015). The industrial Technique division does not work with a budget (HR, 2015).

Measurement systems

At Atlas Copco they work with SAP as the financial reporting data system. Reports of how the business is going are reported via a document, power point or mail (Product Manager, 2015). The Product Manager (2015) does not report any environmental information in SAP, only pure financial numbers with some

reservation (Product Manager, 2015; HR, 2015). The HR department is only measured at cost and their target is to deliver more at lower cost. The employee survey Insight measure the “soft areas” whether employees feel that Atlas Copco deliver on its premises (HR, 2015). The reports of the “soft areas” differ a lot between different companies and the structure is highly decentralized (HR, 2015). Atlas Copco has a balanced scorecard with targets in the three areas; products, services and solutions, operational goals and financial targets. Metrics for products, services and solutions include; to increase customer loyalty and to increase customer’s energy efficiency with 20% until 2020. Business goals include for example; First in mind – First in choice for employees, increase diversity and to only have business partners with high ethical standards. Financial targets include; revenue growth and return on capital employed (Atlas Copco, 2015). The sustainability data is consolidated by the same controllers as for financial data, and in the same IT-systems that are used for financial information on the operating level. On Group level however, the financial and non-financial data is separated so to enable specialized analysis in the sustainability field and financial respectively. Sustainability data is consolidated every third month. The reported sustainability data includes information of safety, health, environment and quality (Business Controller, 2015).

The real challenge according to the CFO (2015) lies in the measurement problem. Under hundreds of years have companies gotten used to have ledgers, it lies in the backbone. When you introduce new measures, they “live their own life” on the side of the regular measures, until they have gotten just as rooted as the “regular ones”. Sustainability measures are also physically harder to measure, but the CFO (2015) means that he has no doubts that companies eventually will be able to do it. He means that invoices in the future for example will have the water consumption stated on them along with regular specifications, and the ones responsible for water will register the consumption just as they do with costs. In this way the sustainability measures will become just as easy to follow-up on as the regular ones. However all targets might not be as easy to measure as water consumption. But to reach the targets you have to measure, “*what gets measured gets done*”, the CFO (2015) explains.

Another difficulty according to the CFO (2015) is that people in general are well indoctrinated to look at business development in a certain way, and that one needs to learn to analyze business from a broader perspective. The problem to prioritize other dimensions in the analysis of business development comes with that it is hard to include something if one is not sure of what to look at (CFO, 2015).

Project management

Atlas Copco works with project management on a daily basis. Some projects are for testing new ideas and others for customize solutions. In the Industrial Technique area there are a lot of special projects, where each customer has a specific need for each application that need to be solved and managed (Atlas Copco, 2015). The Project Leader in such teams works as the link between Atlas Copco and the customer. Atlas Copco has a thorough customer focus and has built their foundation on quality, productivity, ergonomics and safety (Product Manager, 2015; HR, 2015). In the projects the Teams Leader experiences an open relationship with the manager, and that ideas are listened to and taken seriously (Atlas Copco, 2015). Atlas Copco believe in working close to the customer, wherefore local differences are common and encouraged (HR, 2015; Product Manager, 2015). Project teams are also very flexible geographically, meaning that they share experiences and encourage new opportunity seeking (Atlas Copco, 2015).

Incentive programs (Evaluation and rewards)

The Incentive program is linked to the financial targets as a first response from the Product Manager (2015). The Product Manager (2015) then explains that 50% of the targets concern personal accomplishments that he sets up himself, for example he could set up a target of executing a sustainability campaign. The “soft targets” as the Product Manager (2015) puts it does not have as solid goals as the financials. For example a target for a launch could be “to have the best possible launch”, whereas subjective judgment comes in to the picture. The Product Manager (2015) often has launch-targets and targets of doing 10 seminars for

training. At the Industrial Technique division they have a factory bonus where everyone are evaluated on the same four parameters, where quality and lead-time are the most important ones. There is no individual level, everyone gets the same amount (HR, 2015).

5. Analysis

This section will apply the framework by Gond et al. (2012) to the empirical findings from the last section to understand how far the studied organizations have come in their integration process of sustainability. The concepts of *use* of MCSs and SCSs as well as *integration* of the two systems are applied to understand how far the companies have come in their integration process and to understand what enables and obstruct the integration process for the different organizations. The use of the MCSs and SCSs can either be diagnostically, a tool used to correct actors' action, or interactively to focus actors' attention towards specific goals and to support strategic changes. The four companies will be analyzed separately based on the use and the level of integration of the MCSs and SCSs in sections 5.1-5.4. Each company further have a sub-conclusion. In section 5.5 a concluding discussion will held.

5.1. SEB

For SEB, sustainability is not a completely new area. Some areas of the concept in the current definition of sustainability has been a part of the business for many years and thus naturally formed the organization's strategic domain historically, for example their credit risk policy. However, as the concept of sustainability has expanded and the external pressure from stakeholders has increased, the bank's definition of sustainability has expanded accordingly. The organization has consequently widened its initiatives to incorporate this broadened perspective to become a sustainable organization. As the bank operate in a highly regulated market, which during the past years have become even more regulated as the Swedish counterpart to Securities and Exchange Commission (SEC), Finansinspektionen, have increased their demands on the reporting from banks. The higher pressure is from a societal sustainability perspective where the demands are made so actors in the financial sector act responsible towards the society and there is a consensus in the bank that this is important. The bank has a place in the society where they should serve and a duty to act responsibly. One of the main drivers for sustainability are thus the external pressure from both authorities and other stakeholders. However the bank's main owner, the Wallenberg family, also take the sustainability agenda as important. As one of the most prominent Swedish families and financial dynasty they have a historical tradition to work together with politics and society in the history of the Swedish. Thus the bank also have pressure from the shareholders to take the sustainability agenda seriously. Sustainability has further been developed from risk management where the credit policy originates from.

5.1.1. The use of control systems

The organization partially have incorporated some sustainability areas in their core strategy, particularly the credit risk. Both regular and sustainability budgets are used more as a top-down control tool, which is evaluated but not used to focus the organization's attention towards and are further considered to be subordinate to other financial and non-financial metrics. These systems are thus both used diagnostically. As was explained from the Office Managers they do not put lot of attention to the budget process. The strategic planning and the sustainability planning are well communicated in the business and with these strategies broken down into suitable measurement systems, the control systems are used interactively to deploy strategy where for instance the credit risk policy is deeply rooted with a daily focus in the business. All sustainability metrics are not used interactively, such as the diagnostic follow up on CO₂ emission, nevertheless there is a focus on the ethical sustainability agenda in organization. These indirect effects on the society and the environment are important to create legitimacy and take its responsibility towards the society. These are described in the organization's policies and core values and with an interactive use in the organization these values have been communicated and implemented at the operating level. Evaluation and rewards for sustainability questions are used interactively as high focus is on the actor behaviour which is in line with the overall strategy of having a sustainable mind-set in the business decisions.

5.1.2. The level of integration of MCSs and SCSs

The technical challenges in the bank is high. As the IT-systems in a bank is vastly complex and as they use different systems there is no common IT-platform. The IT investments are high in a bank as IT is the second largest investment priority (after human capital) however the IT-systems have been developed during the years with a focus on the financial demands which a bank has. These complex IT-system has therefore been developed with a priority towards the financial information. Information systems with regards to other dimensions such as sustainability has therefore been developed parallel to these complex bank systems. The technical infrastructure does therefore challenge an integration of SCSs and MCSs. The bank does however have a hybrid scorecard where sustainability metrics, such as employee metrics, to some extent has been included which enables an integration in the technical dimension. The challenge to develop relevant sustainability metrics do nonetheless counteract an integration.

The sustainability department is included under communication in the staff function at corporate level. At corporate level the sustainability department does therefore belong to a different part of the organization than other management accounting roles. The consolidation and the process of the reporting for financial, non-financial and sustainability data differs between the different departments, which are further, to some extent, loosely decoupled. This is not surprising as the regulations regarding the finance and its reporting is high in the industry wherefore the financial compliance will be prioritized. Furthermore the financial reporting has a legacy and the organization is more used to financial reports. Furthermore the sustainability committee which includes members from different staff function do further increase the collaboration between different departments and do thus enhance a potential integration.

The culture in the bank can both enable and act as a barrier for the integration as banks in Sweden have a social heritage to act responsible, however the global financial sector have a more capitalistic culture. The empirics do however speak more for a culture of social responsibility where there seems to be a high agreement of the importance of sustainability, both at the corporate and operational level. The value of the sustainability is mostly considered at corporate level as there is some measurement problems when it comes to measuring the value of sustainability, thus it is harder to communicate throughout the organization. This creates some cognitive barriers for the organization for the integration process. Most striking is however the consensus on the sustainable business concept where the bank is considered to have a high responsibility towards the society. The code of conducts and other policies, together with high level of communication, have helped in forming this consensus.

5.1.3. Sub-conclusion

We can find that SEB uses both MCSs and SCSs interactively to mobilize strategy. The organization's integration process of the two systems have started to take place, where the cognitive integration is well developed. There are however some barriers to cross before the two systems completely overlap each other and especially regards to the complex IT-systems. The organization has started the integration process and we conclude the organization to be on the move from a "*Schizoid sustainability strategy*" to become an "*Integrated sustainability strategy*".

5.2. Holmen

Holmen has worked with environmental questions for a long time as the organization operates in an industry where there are high regulatory demands, especially on environmental with some links to societal issues such as contamination of land and regrowth of forest. The organization has thus had to incorporate and control for these factors in order to comply with external demands, this is utterly important otherwise the potential sanctions are disastrous. As the sustainability concept has expanded the sustainability indices

have required more sustainability data from the organization in order to evaluate their sustainability work, Holmen has broadened their work accordingly. As a response to external pressure Holmen recently renewed their policies in form of code of conducts, which are uniformly to the entire company. Sustainability is thus driven by external pressure from stakeholders as well as authorities. Furthermore, as Holmen has primarily long-term institutional investors as owners, this might influence the striving to become more sustainable.

5.2.1. The use of control systems

The strategic planning are used diagnostically where a top-down strategy plan is implemented throughout the organization and where the executive management is evaluating the strategy plan. As sustainability strategy is partially integrated into the core business with high focus on re-growth of trees and other climate related strategies. This planning system is also used diagnostically. Budgets are, on the contrary, used interactively. Much attention is focused towards this system as it enables the organization to discover significant deviations which can indicate strategic uncertainties that the organization may face and new strategies can thus emerge. Sustainability budgets are largely decoupled from the mainstream budget process where for instance the budget for re-growth of trees is used diagnostically. Important measurements such as productivity, inventory and volume are however used interactively. These together with the budget are monthly analyzed to highlight the need to focus the organization's attention. Sustainability measurements, for example the minimization of work related accidents has become a hygiene factor. Together with other important environmental measurement these are used diagnostically, largely to comply with external regulations and stakeholder pressure. The evaluation and reward is used diagnostically, as the industry is highly volatile. Current projects strive for both cost efficiency and to positively affect the environmental, and are used interactively in an interactive learning to drive strategy forward. The installation of windmill to increase renewable energy is an example of this.

5.2.2. The level of integration of MCSs and SCSs

Some relevant sustainability metrics are well established in the organization and are included in the scorecard, the overlap of the MCSs and SCSs are therefore visible. The projects, which integrate both sustainability agendas and core business, are further enabling the technical integration along with the partially integrated strategic planning. The organization use several IT-systems for the reporting of different measurements, both for financial, non-financial and sustainability metrics. The use a standardized IT-systems do not include a possible integration of the two control systems and do therefore counteract the technical integration since the methodology of the reporting differs.

SM is located under the engineering department and has worked a long time with the environmental issues and have previously had a focus on the technical areas to develop stable metrics to be able to measure the environmental effects. As this department has a background different from the typical management culture the organizational integration can be hindered. Yet the department is rather tightly coupled to the rest of the organization. The tight collaboration with other sustainability areas along with the long-time work with environmental issues and its importance for the organizations survival, the organizational integration is partly enabled.

The long tradition of considering their impact on the environment and the need to respect the society nearby the mills have enabled a culture where this is well understood in the organization. The environmental responsibility, and to some extent the local societal responsibility, is highly agreed upon in the organization. There is thus a cognitive consensus that this is important, however the emphasis is on the environmental and local societal effect. As the organization have developed measurable metrics for environmental issues this helps to understand the value of sustainability in the organization and thus enable a higher understanding. The newly implemented code of conducts might further trigger the cognitive integration as

formal, uniformly boundary systems can lead to a better understanding within the organization of what is an acceptable behavior and not.

5.2.3. Sub-conclusion

There can be found that Holmen have enablers for the integration in all three dimensions but there is still parts which counteract this integration process. Holmen uses both MCSs and SCSs interactively, where projects serves as an important tool to seek for new strategies. The projects are used to enable learning but is not yet implemented in the organization as a well-established business strategy, the interactive use of this control system is focusing attention towards the area of renewable energy. Holmen is considered to be on the move from a “*schizoid sustainability strategy*” to an “*Integrated sustainability strategy*”. At the time this study was done it could be seen signs of a further push in the integration process as the new codes of conduct can further enhance the cognitive integration.

5.3. SCA

As SCA partially is active in the same industry as Holmen they have the same history regarding the forestry part of the organization's operation. The environmental related questions have been on the agenda for many years as there are high regulation around this and other industry where SCA operates. As the regulation has increased, sustainability related questions where prioritized as a compliance related driver. Furthermore sustainability has also been driven by the reputation and brand risk in order to protect revenue. Customers are becoming more aware and thus have a higher demand on more environmental-friendly products. Sustainability has further been found to create business opportunities where SCA educates new markets, they are able to sell product which benefit the society.

5.3.1. The use of control systems

The strategic planning, both the regular and sustainability planning, are used diagnostically. The committees break down the strategy into smaller targets and is discussed at business unit levels but further down in the organization the overall business plan has been broken down to KPIs and metrics relevant for the particular part of the organization. The organization is highly decentralized where the business units have high freedom to develop own strategies and targets, in the best interest for the business units. However, these have to correspond with the overall strategies and visions. The business units are evaluated and controlled on the budget but has, as mentioned, a large portion of freedom to decide on how to achieve these targeted budgets. As the sustainability targets are included in the budget at the operating level, the sustainability budget is included in the regular budget. The decentralized nature and focus on budget control enables new strategies to emerge, especially at business unit levels. The organization structure among with a high focus on budget as a control tool, is thus a way to use this control system interactively. In this way new opportunities can be sought where strategic uncertainties lies, to enable the units to fulfill the financial targets and budgets. In the operational part of the company, the overall balanced scorecard that contains financial, non-financial and sustainability measurements, is used as a diagnostic control function to see that the targets are fulfilled. To these KPIs and measurements which are formed in the yearly budget process, incentives are coupled. The used targets for evaluation are both financial and non-financial but is largely used in a diagnostically. Projects are used to find new business opportunities. Some projects have been developed to find new business opportunities based on sustainability, for instance when SCA launched the education projects.

5.3.2. The level of integration of MCSs and SCSs

There are limitations in the technical integration as the organization use different reporting systems for sustainability and financial data. In SCA it is communicated that there is a challenge to develop an integrated system within the organization as they operate in many countries. Furthermore the challenge of creating relevant sustainability metrics to use as critical performance indicators enhance the barriers to a technical integration. This is however an ongoing work. There are nevertheless some technical enablers as they have KPIs in the sustainability scorecard which are included in the balanced scorecard. This can help to enhance the cognition that the sustainability is prioritized in the company.

SCA has chosen to have the sustainability department as an own staff function. This decouples the sustainability controlling function from the mainstream control in the organization, which is an obstacle for the organizational integration. The different departments of sustainability and accounting control do to some extent work in a similar way however, and thus enables partial integration of the two control systems within the organizational dimension.

The recent tabloids regarding the use of the air plane and hunting lodges is an evidence that there is a lack of cognitive integration. Although there is evidence in the empirics suggesting cognitive consensus with respect to both ethically, socially, profitability and environmentally aspects that all these dimensions are necessarily to incorporate in the business mind-set to be successful in the long-run. With an extremely long history of 350 years there is a high understanding of the importance of sustainability within the organization as they want to survive another 350 years. As the code of conducts is well-developed, the boundary systems for new strategies formations are well defined. This further helps the decentralized organization to understand in what market new strategies is accepted to emerge.

5.3.3. Sub-conclusion

There is evidence in all three dimensions of the level of integration that the overlap of integration between MCSs and SCSs is partially realized. The perception of sustainability is well communicated and understood amongst the interviewees and is used as a way to create new strategies. There however, barriers which obscure the integration and especially in the technical dimension where the problem of developing relevant measures and integrated reporting systems. The results indicate that SCA are somewhere in between a “*Schizoid sustainability strategy*” and an “*Integrated sustainability strategy*”.

5.4. Atlas Copco

Atlas Copco produces products that have high quality and safety requirements. A part of their customers operates in industries where the regulation is strict both in terms of safety and environmental restrictions, whereas other parts are highly dependent on safe products. Atlas Copco, thus meet high pressure from customers to develop products that meet their customers’ demands. As customers need to comply with the regulation in their industry there is of essence for Atlas Copco to meet these demands in order to maintain their customer base. As this have been a part of Atlas Copco’s business model for many years they have naturally been incorporating these elements into their business. Atlas Copco have thus partially worked with sustainability for many years and have incorporated it into their business model and partially to their strategy.

5.4.1. The use of control systems

The strategic planning is formed at corporate level and is used as a top-down tool to steer the organization in a desired direction. The strategic plan is discussed and further broken down to targets at every hierarchical stage in the organization. Even though the strategic plan is communicated to the higher levels in the

organization, no indicators have been found that Atlas Copco work with strategic planning in an interactive way to bring attention towards strategic uncertainties. The interviews and examined documentation show a partially integrated sustainability and business strategy, which, for instance can be seen, in the integrated scorecard and the attribute in their slogan “*sustainable profitable growth*”. The strategic plan does incorporate sustainability planning. Budgets are not used in the entire organization as a control technique and where it is used it is based on a top-down approach. In the parts of the organizations where it is used with a diagnostic purpose, it is to follow that the financial results are on track. In the production unit, where no budgets are used, the main focus is directed to different measurements, both financial and non-financial that also include sustainability targets. The strategic goals have been broken down to form important KPIs. CO₂ emission is a measure used in some parts of the company where it is relevant. This target is a common target, which are both easy to measure, communicate and understand. Other well-developed measurements used are common HR-related metrics such as sick-days and employee satisfaction. Many of the measurements are used diagnostically as a way to spot important deviations. There are however metrics used in an interactive way to create attention in the organisation. Depending on business unit and division, different relevant metrics are used interactively however they are all related to the same areas but are broken down differently to correspond to the different business areas and functions in the organization. These metrics used interactively are mostly non-financial and sustainability measures within the areas of safety, health, environment and quality. These measures are followed up and discussed at meetings in the organization at all levels and has a high priority for awareness creation. The reward system is mostly based on financial measures but can, for some parties, include other measures as well. These control systems are used diagnostically.

Project management is an essential part of Atlas Copco everyday business. As the project groups work close to the customers to meet their specific needs, business opportunities can be sought. Attention can be focused towards the customers’ requests and upcoming uncertainties and can early on be spotted and communicated upwards in the organization so new emergent strategies can be developed. This control system is thus used in an interactive way to focus attention on new trends in the market. As Atlas Copco’s products have four foundational areas, which are partly linked to sustainability, product development is further directing some attention towards sustainability in areas in relation to their customers. This for example can be seen in the development of energy saving products, which can be seen to be a part of the pillar of planet in sustainability. In this way Atlas Copco do contribute to the environment by producing more environmental friendly products.

5.4.2. The level of integration of MCSs and SCSs

As Atlas Copco have included sustainability into a large part of the organization’s everyday activities the internal reporting system has been developed thereafter. The used reporting system allows to include both financial, non-financial and sustainability metrics and the same system is used in the whole group. The technical integration is therefore facilitated. Furthermore the integrated sustainability/balanced scorecard used in the organization further enables a technical integration between MCSs and SCSs in this dimension.

Articulated from the CFO is the high collaboration between the finance department and the sustainability department. The sustainability department does not work in silo instead the close link to the finance department have developed similar routines in the controlling of sustainability and financial data. The different departments have developed an expertise in their different fields when it comes to controlling and analyzing the data. The organizational integration is enabled as the actors in sustainability accounting, to some extent, use a common set of shared practice as the actors in management accounting, however to have fully overlapping systems there is still an organizational structure which inhibits a full integration of MCSs and SCSs.

Cognitive integration is enabled by the shared language and understanding of the sustainability agenda. The organization has a strongly integrated sustainability agenda as they do incorporate sustainability as a natural part of the business activity in many areas. This is communicated both externally and internally. The communication has nevertheless not reached the entire organization and thus obstructs the cognitive integration. This might further act as an inhibitor to meet external needs and requests if members do not understand the work within the sustainability field that is actually done in the company. However, the insufficient communication within the organization is partially a lack in the understanding of the concept of sustainability and how this is linked to the business. The belief systems in place along with the boundary systems guiding the strategic frame have helped in the understanding of what the corporation stands for and what is not accepted in the company. Thus even though the concept of sustainability is not fully incorporated in the mind-set of the members in the organization, the actual underlying practices and core values are well known.

5.4.3. Sub-conclusion

Atlas Copco has come far with its integration process where they in some dimensions have a large overlap between the two systems, especially in the technical dimension where this is enabled by an IT-system which do incorporate both sustainability, financial and non-financial data. MCSs and SCSs are both used interactively, by the project management and hybrid measurement systems to be mobilized to deploy strategy. These results indicates a highly integrated MCSs and SCSs where Atlas Copco is closing up on belonging to the configuration "*Integrated sustainability strategy*". This further implies a high integration of sustainability strategy into the business strategy.

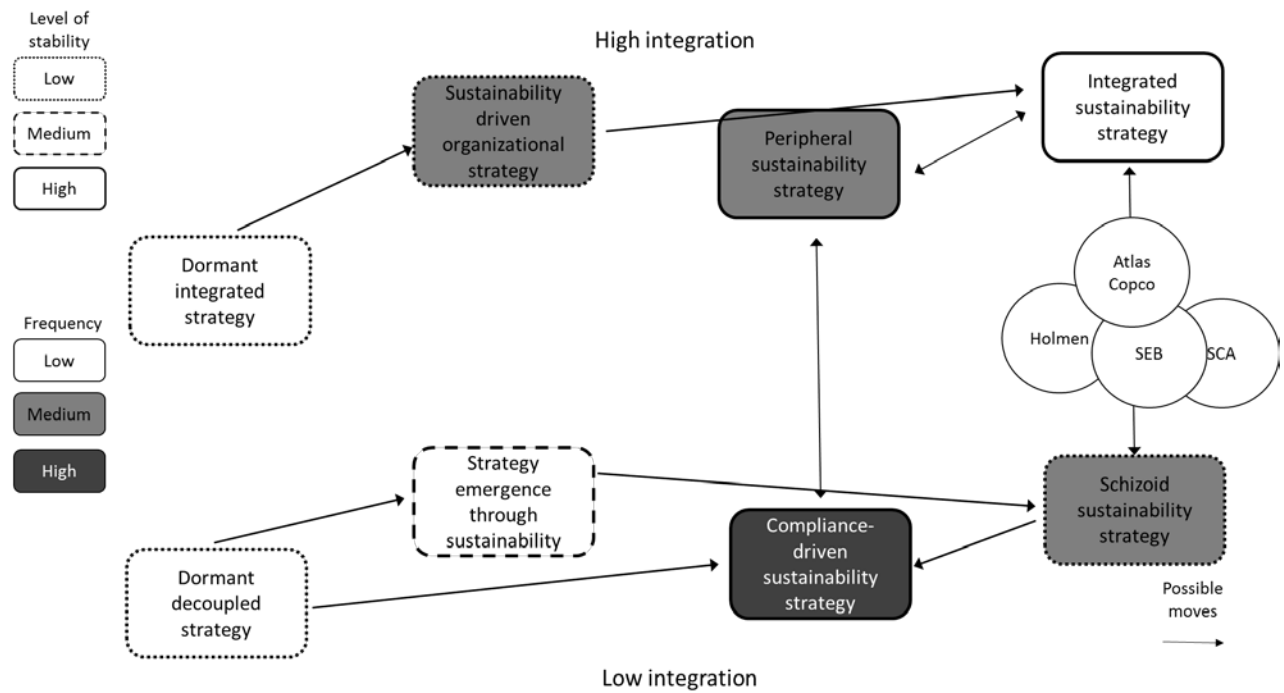
5.5. Conclusion

By using Gond et al. (2012) the empirics have been systematically investigated to understand how far the studied companies have come in their integration of sustainability into their business strategy. It can be found that all case companies use both MCSs and SCSs interactively, thus these are mobilized to deploy strategies in both the core business and within the sustainability field. All companies further understand and express that they actively seek sustainability strategies and as the control systems are used interactively, emergent strategies can be recognised.

The level of integration between MCSs and SCSs do differ slightly between the organizations, but not by much. Atlas Copco have come furthest with their integration as they for instance have managed to develop a reporting system which incorporates both financial and sustainability data, which none of the other selected companies have managed to do. There is a high cognitive integration in all companies, where there is a consensus from the interviewees that sustainability is important for the long-term success for the businesses.

As the both MCSs and SCSs are used interactively and there is evidence of integration of MCSs and SCSs within all dimensions for all companies, it can be concluded that all companies, to some extent, have a partially integrated sustainability into their strategy.

Figure1 SEB, Holmen, SCA and Atlas Copco plotted into Gond et al.'s framework of configurations to see how far they have come in their process of integrating sustainability into the strategy.



6. Concluding discussion

This study aimed to explore how far corporations on the Swedish market have come in their process of integrating sustainability into their business strategy. Through the research question - *How far have large Swedish companies, listed in sustainability indices, come in their process of integrating sustainability into their business strategy?* - this was conceptualized. It is found in the study that the four investigated companies have all started the process of integrating sustainability into the business strategy. The level of integration do however differ between the organizations, where Atlas Copco is the company which has come furthest in the process.

Gond et al.'s (2012) framework of configuring MCSs for sustainability strategy was used to answer our research question. In the analysis it was found that all companies use MCSs and SCSs interactively to focus attention towards strategic uncertainties and therefore emergent strategies can be developed. How far the organizations have come in the integration process do however differ as the level of overlap of MCSs and SCSs differs. The integration level between the studied companies varies, in the three dimensions of technical, organizational and cognitive integration. The dimension in which all companies have come furthest is in the cognitive integration. High level of consensus of the need to incorporate sustainability into the DNA of the organization is found and there is an aim to make this a hygiene factor, in order to become successful in the long-run. The technical integration does however meet resistance as existing financial reporting systems are not designed as to incorporate sustainability reporting. The sustainability reporting is thus commonly reported in a separate system handled by, to some extent, loosely coupled sustainability departments. These separate departments do not always use the same type of accounting practices as the regular accounting department and as the practices between these actors differs, organizational integration is hindered.

This study has contributed to the understanding that sustainability work is not only used as a risk management tool for compliance purposes to external legal and stakeholder pressure, or as window-dressing and greenwashing. Furthermore, it contributes to understand the challenges in the integration of sustainability and to what degree companies, that are considered to be leaders in the sustainability field, have come in this progress. These findings are of interest since research on sustainability integration in this setting with Swedish companies is limited.

As these companies have developed data collection systems required to publish the well-established external sustainability reports, the data has simultaneously been integrated into decision-making, risk management and performance measurement, which is in line with Adams and Frost (2008) findings that external reporting is linked to management practice.

A recurring integration inhibitor discovered lies in the measurability problem. As it is hard to find relevant sustainability measures and connect them to TBL, both technical and cognitive integration are hampered. This empirical finding confirms previous literatures request for development of measures to satisfy the need to enhance peoples' awareness and especially if these sustainability measurement systems were used interactively.

Gond et al. (2012) theorizes the empirical verisimilitude of the eight configuration. They discuss that the most frequently occurring configuration is the "*Compliance-driven sustainability strategy*", however this was not an empirical finding in our study. This is not surprising, as the companies in the present study were carefully selected because of the companies' recognition in the sustainability field. Their sustainability work can be expected to be more developed than other corporations and placing them in a higher configuration. Gond et al. (2012) refers to companies in all sizes, both privately owned and public, their theorizing thus include a wider range of companies.

The configuration of “*Compliance-driven sustainability strategy*” is, in Gond et al. (2012), discussed to be at risk of becoming perceived as window-dressing and greenwashing. Banerjee (2008) has further discussed that sustainability can be used as a reconstruction of eroded legitimacy for organizations. In our case studies, none of the companies have been found to belong to this ideal-type configuration but all have either a higher level integration and/or they use SCSs interactively. We thus do not regard these organizations as window dressers or green washers but they do indeed work towards becoming more sustainable. Nevertheless, this does not imply perfect sustainability in all three dimensions of the TBL as they still have a long road ahead, before a complete integration of sustainability into the business strategy is achieved.

Limitations of the study

It is important to bear in mind the methodological limitations when considering the findings of this study. The study rests on a multiple case study with four companies in order to understand how large Swedish companies work with integration of sustainability. Although a multiple case study is preferred for exploration and increases the level of analytical generalization, as explained in the methodology section, the generalizability is still limited. The empirical data collected for the study was mainly based on interviews, which is dependent on the specific persons interviewed, wherefore a perfect replication of the study may be complicated. Typically views and experiences in an organization may vary between people and over time, even when working in the same department. Since the data also is interpreted by the researchers, there is a risk of misinterpretations in the handling of data, even though the structure, collection and analysis of data aimed to prevent this. Even though the study has been conducted in a multiple research approach, it is still limited to the specific cases studied and the people that have been interviewed. Concluding, the study may or may not be generalizable to a different geographical area, different size of company, ownership structure or in markets with different legal regulation requirements.

Suggestions for future research

For future research it would be interesting to conduct a single in-depth case study, to be able to dig deeper in the organizational processes and to thoroughly understand internal control systems and level of integration. It would also be motivated to conduct a multiple case study with a larger number of interviewees per company, to reach a deeper level of analysis. Another possible research approach would be to conduct a similar case study as this but for example in a different geographical area, for small or medium sized companies, for privately owned companies or in less regulated markets, to see if the conclusions would be different. Future research could also focus on the measurability problem that has become apparent in all case companies in this study. To find relevant measurements and how to measure in a simple way have been seen as a current challenge for all studied companies. A concluding topic for future research is to further study where it is optimal to place sustainability department in the organization, for successful integration. In our research the placing of the sustainability department have varied from a separate staff function, to a sub-unit of the Communication department and to a sub-unit of the Engineering department. One could enhance the integration with a common set of practices between the departments. It would be an automatic integration if sustainability departments were merged with Finance department, which handles the regular financial accounting practices. On the other hand that merge would run the risk of sacrificing financial and sustainability expertise.

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8. Appendices: Interview data

8.1. Appendix 1: Conducted interviews

Company	Role	Date
SEB	Head of Corporate Sustainability	2015-04-16
SEB	Chief Financial Officer	2015-04-30
SEB	Group Finance	2015-05-07
SEB	Group Financial Management	2015-05-07
SEB	Office Manager 1	2015-04-29
SEB	Office Manager 2	2015-05-05
SEB	Head of Group Human Resources	2015-04-28
SEB	HR Manager	2015-04-21
Holmen	Director of Sustainable and Environmental Affairs	2015-04-15
Holmen	Chief Treasury & Controlling	2015-05-08
Holmen	Business Controller	2015-05-08
Holmen	District Manager 1	2015-04-23
Holmen	District Manager 2	2015-04-24
Holmen	HR Manager	2015-05-04
SCA	Social Vice President	2015-04-27
SCA	President and Group Executive Officer	2015-04-27
SCA	Site Manager	2015-05-15
SCA	HR Manager	2015-05-04
Atlas Copco	Chief Financial Officer	2015-04-10
Atlas Copco	Business Controller	2015-05-07
Atlas Copco	Senior Product Manager	2015-05-04
Atlas Copco	HR Manager	2015-05-04
Deloitte	Sustainability Audit Partner	2015-04-21

8.2. Appendix 2: Extract of interview questions

The below interview questions is a sample of the questions asked at the interviews. Depending on role of the interviewee, the questions were adapted.

General interview questions

- What is your work related duties and fields of responsibilities?
- Which other departments and persons do you have most contact with in your daily work? What does that contact look like?
- How do you perceive the organization from a centralized or decentralized perspective?
- How would you describe the company's business code?

Following questions regard the work around sustainability

- How do you define sustainability and what does it mean in the company?
- Do you experience shared views of what sustainability means inside the company and externally of shareholders and other stakeholders?
- How is sustainability incorporated to your work?
- How has the sustainability work historically looked like in the company?
 - When did integration to the business begin?
- Why have you/have not chosen to have an integrated sustainability report?
- Do you think it is important to integrate sustainability in the business?
- Do you have integrated internal reporting, or is sustainability reporting separated out from other reports?
- How do you measure different sustainability factors?
 - What do you measure?
 - How is the follow-up conducted?
 - How do you set targets?
- What do you report and to whom?
 - How often do you report and how is evaluation and follow-up conducted?
- How does collaboration, regarding sustainability, look like between different departments in the company?
- How do you, or do you, pick up on employees' ideas and knowledge?
- Do you have well-defined frames of sustainability, what projects to invest in and not?
- Within sustainability, which factor is most important of planet, people or profit?
- What do you think is the success factor of the company's sustainability work?
- What has been the largest challenge so far?
- What do you see as the largest challenge in the future?
- What do you see as the largest possibility in the future?

Following questions regard the management control systems

- What are the general targets for the company? (Financial and non-financial targets)

- How are the targets set? (The process and who is involved)
 - Which of these targets affects you or your unit directly/indirectly?
 - How are the targets measured and how does the follow-up look like?
 - If the targets are not met, what are the consequences?
 - Who do you report to?
 - Which programs of reporting do you use?
 - Can everything that is reported from you be reported in the same system, or do you use different systems?
 - How do you work with consolidation of financial and non-financial data?
- What does the incentive program or bonus system look like?
 - What are you evaluated upon? (Financial and non-financial targets)
 - What different KPI's do you have? (Financial and non-financial)
- Does the company work with projects?
 - What kind of projects and what are the purposes?
 - How are projects initiated and followed up on?
 - Is there a separate budget for projects or is it incorporated in the unit's budget?
- How do the company work with budget?
 - Is it set from a top-down or bottom-up approach?
 - How is the budget work conducted?
 - When is it set?
 - What does the follow-up look like?
 - What happens if the result is not in line with the budget?