

Measures to Save the Planet

A qualitative study on the value of concrete cause-effect linkages between sustainability performance and financial performance

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Abstract

Sustainability is now more than ever an important aspect for companies to understand and cope with. An increasing number of companies aim to make sustainability part of their overall strategy, and one important aspect in so doing is measurement. However, the benefits of not only measuring sustainability performance but to also establish causal links between the sustainability perspective and the financial perspective is something that is starting to be encouraged. This thesis investigates how concrete cause-effect linkages between sustainability performance and financial performance affect how a company prioritizes the sustainability issue. The study includes two case companies in the real estate industry, and data has been collected through semi-structured interviews with 14 employees from the two companies. The theory of institutional logics is the main theory used to sort through and analyze the empirical findings. The study suggests that establishing concrete causal linkages between sustainability- and financial performance in monetary terms may not contribute considerably to raise the priority level of sustainability action. This is mainly explained by an already existing belief that sustainability performance will contribute to improved profitability in the future, as well as a high level of intrinsic motivation to contribute among employees. Lastly, financial measures on sustainability performance are perceived as less reliable than non-financial ones, which also undermines their efficiency as a tool to heighten the priority level of sustainability action.

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Keywords: Management control systems, Institutional logics, Sustainability, Performance measurement systems, Cause-effect linkages

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1. Introduction

1.1. Problem Background

The reasons why companies choose to incorporate sustainability practices into their mainstream business processes may vary. Large companies engage in sustainability practices both in order to gain legitimacy among stakeholders and in order to reach economic success (Schaltegger and Hörisch, 2017). Nevertheless, sustainability is now more than ever an important aspect for companies to understand and cope with, and much research supports the understanding that sustainability practices can help achieve corporate success (Bansal and Roth, 2000; Eccles et al., 2014). Moreover, an increasing sustainability trend calls for ways to manage such issues in a company setting.

Kaplan and Norton (1996) promote the importance of linking performance measures to a company's strategic objectives as they discuss the balanced scorecard (BSC) - a tool to help do so. The BSC presented by Kaplan and Norton includes four perspectives: learning and growth, internal business process, customer, and lastly, a financial perspective. In later research, Kaplan and Norton (2000) discuss the benefits of also identifying the existence of causal relationships between the different perspectives within a company, as well as mapping them out. This can be done by creating what they call strategy maps: *"The maps provide a visual representation of a company's critical objectives and the crucial relationships among them that drive organizational performance."* One such causal relationship could be how speedier process-cycle times and improved employee capabilities lead to higher retention rates of customers, which in turn leads to an increase in revenue. Kaplan and Norton (2000) also explain how establishing these kinds of causal relationships helps employees understand how their performance links to the overall goals and objectives of the organization, which in turn helps them coordinate and collaborate to reach formulated goals. Mapping out causal relationships between different perspectives is also a way of communicating the overall strategy to the entire organization.

The research of Kaplan and Norton does not include a specific sustainability perspective. Nevertheless, the discussions surround strategy and the benefits of finding causal relationships between different company perspectives to reach strategic goals collaboratively. Today, an increasing number of companies aim to make sustainability part of their overall

long-term success strategy. When it comes to achieving a more sustainable organization, the importance of management control is highlighted by Crutzen et al. (2017), among others. Arjaliès and Mundy (2013) state that, according to research, a company aiming to create long-term shareholder value through sustainability performance will have to integrate these activities into the company's strategy. In order to do so, well-functioning management control systems (MCS) become important, and one essential aspect to consider is measurement. Arjaliès and Mundy (2013) state that measurability becomes crucial for sustainability goals and objectives not to be overlooked. If the results of sustainability activities can not be measured, the risk of them being pushed aside in favor of other mainstream business practices increases. This goes in line with the initial reasoning behind the BSC: "*What you measure is what you get*" (Kaplan and Norton, 1992). Therefore, it is important to realize the value of including more than just a financial perspective in order to reach corporate success. However, the benefits of not only measuring performance but to also establish causal links between different company perspectives, as discussed by Kaplan and Norton (2000), is something that is starting to be encouraged for a sustainability perspective as well.

The Financial Stability Board introduced the Task Force on Climate-related Financial Disclosures (TCFD) as an initiative meant to: "*Improve and increase reporting of climate-related financial information*" (TCFD, 2021a). The TCFD can be summarized as a guiding framework of recommendations to help companies create better climate-related disclosures. A company adapting to the TCFD recommendations should aim to describe the connection between climate-related risks and opportunities and the company's financial results. The TCFD framework will help companies include climate-related risks and opportunities into strategic planning processes and risk management. As this is achieved, both companies and investors will better understand the financial implications of climate change. This will, in turn, promote initiatives to invest in sustainable solutions, opportunities, and business models (TCFD, 2021b). The TCFD framework is supported by PwC (2020) and KPMG (2021), among others, suggesting that this is a field wide concern.

1.2. Prior Research Within the Field

As has been mentioned, prior research supports that management control and measurability are essential if aiming to incorporate sustainability practices into the company strategy (Arjaliès and Mundy, 2013). However, there are difficulties associated with creating clarity

regarding the benefits of sustainability practices in a for-profit setting. By observing 40 large companies, Arjaliès and Mundy (2013) find that many struggle to reconcile long-term sustainability demands with the demand for short-term economic gains. They also state how it is a challenge for companies to measure the actual return of sustainability investments. Continuing, the complexity level of sustainability measurement systems seen in practice does vary, and having established clear causal relationships between sustainability performance and financial performance seems to be rare. Schaltegger and Hörisch (2017) find that a majority of the key measures used to incorporate sustainability into the company strategy are so-called “legitimacy-oriented measures” rather than “profit-oriented measures.” Legitimacy-oriented measures, in this case, refer to measures related to, for example, employee motivation and enhancing reputation, whereas profit-oriented measures are related to increasing profits. However, when investigating how companies measure the effect of their sustainability practices, neither legitimacy-oriented aspects nor profit-oriented aspects were dominant. The least common aspect was profit-oriented (e.g., effects on revenue, sales, or profit), whereas the most common aspect was cost. Nevertheless, to measure the effects of sustainability activities was not very common regardless. The most common aspect, measuring the effect on costs, was only seen in 50 percent of the studied companies. Moreover, the study conducted by Crutzen et al. (2017) included 17 case companies which were “*considered to be amongst the “best performers” in terms of sustainability in Europe.*” This study also revealed that measurement systems rarely were designed to link financial performance to neither social nor environmental performance.

1.3. Purpose and Research Question

Thus far, it is established that an increasing amount of companies want to incorporate sustainability into their overall strategy in order to reach corporate success (Bansal and Roth, 2000; Eccles et al., 2014) and that management control and measurement systems play a crucial role in doing so (Crutzen et al., 2017; Arjaliès and Mundy, 2013). By referring to the logic behind the BSC (Kaplan and Norton, 1996) and strategy maps (Kaplan and Norton, 2000), it is seen as important to be able to establish causal linkages between different company perspectives in order to guide employees in their work to reach overall strategic goals. In addition, initiatives such as the TCFD encourage cause-effect thinking between climate-related issues and financial performance (TCFD, 2021; PwC, 2020; KPMG, 2020). In practice, however, the complexity level of performance measurement systems (PMS) for

sustainability do vary, and efforts to link sustainability performance to financial performance are rare (Arjaliès and Mundy, 2013; Crutzen et al., 2017). The aforementioned aspects combined spark the question:

How does establishing concrete cause-effect linkages between sustainability performance and financial performance affect how a company prioritizes the sustainability issue?

This research question is deemed relevant as prior research, to the best of our knowledge, mainly has focused on whether such causal relationships exist, rather than how they affect the level of priority if implemented.

1.4. Disposition

This thesis is built on a total of six separate chapters. The theoretical framework is presented in chapter 2. The primary theory that has been used as the fundamental tool to answer the research question is the theory of institutional logics. Further, the methodology of the research is described in chapter 3. In this chapter, all choices that have been taken during the research period have been motivated or clarified. Next, the gathered empirics from interviews are presented and sorted in chapter 4. This is followed by chapter 5, consisting of an analysis of the empirical findings. A conclusion of the analysis is thereafter presented in chapter 6. This is also where the research question is explicitly answered, and suggestions for future research are presented.

In addition to the six chapters mentioned above, two final chapters containing references and appendices are included. Chapter 7 lists all references used in this thesis, and chapter 8 consists of appendices, including a list of interviewees as well as interview guides.

2. Theoretical Framework

In order to analyze the value of concrete cause-effect linkages between sustainability- and financial performance, this thesis will draw on the theory of institutional logics. The theory of institutional logics will first guide an analysis of whether institutional complexity prevails in the case companies and whether the sustainability logic and the profitability logic are compatible. After that, a discussion about ways to manage incompatibility will follow. Then, with these conclusions forming the base for further analysis, the effects of incorporating concrete cause-effect linkages will be discussed. The remainder of this chapter will go through the theory of institutional logics as well as present how the design of measurement systems links to institutional logics theory.

2.1. Institutional Logics

As stated by Nielsen et al. (2019), the literature provides varied definitions of institutional logics. Thornton and Ocasio (1999) provide one such definition. They define institutional logics as *“the socially constructed, historical pattern of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality.”* Continuing, institutional logics are said to guide the behavior of decision-makers in organizational settings as they *“provide formal and informal rules of action, interaction and interpretation”* (Thornton and Ocasio, 1999).

Furthermore, as the research question of this thesis focuses on the value of cause-effect linkages between sustainability- and financial performance, it falls naturally that the two logics in focus will be the sustainability logic and the profitability logic. De Clercq and Voronov (2011) provide a definition of the so-called sustainability logic. As they refer to prior research, they state that *“a sustainability logic prescribes concerns for social justice and environmental preservation that are supported by personal commitment to causes such as waste reduction, fair employment practices and reducing ecological footprint.”* In this thesis, the focus will be on environmental sustainability, which this definition does encompass as concerns for environmental preservation. However, the social aspect of the sustainability logic will not be within the scope of the research. Moreover, De Clercq and Voronov (2011) state

how the profitability logic refers to the demands put on a company to be profitable, which puts pressure on generating revenue, reducing costs, and increasing efficiency and profit.

2.1.1. Incompatibility of different institutional logics

Different competing logics may co-exist in an organization, creating what Nielsen et al. (2019) refer to as institutional complexity. Institutional complexity arises due to different demands of different logics, which may lead to both uncertainty and conflict. An organization that aims to meet the demands of multiple competing logics is referred to as a hybrid. A hybrid will therefore be forced to handle contradictions at times. Pache and Santos (2013) state that all hybrids will have to find ways to manage the different demands they face due to attempts to adhere to more than one logic. As prior research is discussed, they cite that “*A central feature of hybrids is that the institutional logics that they embody are not always compatible.*” Continuing, the more incompatible the different logics are, the more challenging it will be to manage and meet the demands of these competing logics.

Carlsson-Wall et al. (2016) discuss how different logics may be compatible and others incompatible, and the level of compatibility may vary from situation to situation. They conclude that institutional logics on the organizational level “*are accorded different priorities in different situations.*” And in a particular situation, the relationship between different logics can be ambiguous, and in others, more unambiguous. This essentially means that it can be challenging to decide whether a decision will favor or not favor a specific logic. They use the decision of whether to build a new sports stadium or not as an example. For a sports company, this would arguably be in line with the sports logic, as it would motivate the players. At the same time, one can argue that this would lead to short-term cash-outflows, which does not necessarily agree with the demands of the business logic (which in this thesis is referred to as the ‘profitability logic’). However, it may very well create improved future cash-inflows, thanks to increased ticket sales. Therefore, the compatibility or incompatibility with the profitability logic depends on how the decision is argued for, making the relationship between the sports- and business logic somewhat ambiguous in this situation.

Whether the sustainability logic is compatible with the profitability logic or not is a question for debate. Earlier research has argued for both sides, according to De Clercq and Voronov (2011). They state that some researchers argue that the goals of sustainability and the goals of profitability conflict. They also state how research has highlighted the difficulty of

“convincing investors about the benefits of sustainable practices because of the ambiguity regarding their financial success.” On the contrary, other studies have shown how the sustainability logic and the profitability logic can be compatible. The example provided is, however, quite specific and refers to entrepreneurial opportunities. They state how business opportunities may arise from environmental failures, making it possible to both earn money and be in line with the sustainability logic at the same time. Nevertheless, like the sports- and business logic, as exemplified by Carlsson-Wall et al. (2016), research shows that there may be situations when the sustainability logic and the profitability logic are compatible, and other situations when they may not be as compatible, or when the relationship is more ambiguous. This is when, as stated by both Carlsson-Wall et al. (2016) and Nielsen et al. (2019), PMS can come in handy as a tool to guide decision making as they can help prioritize between choices and facilitate attention focusing.

2.1.2. Measurement systems used to manage different logics

Carlsson-Wall et al. (2016) present three different strategies which an organization can use to manage the tensions between competing logics: decoupling, structural differentiation, and compromise. Furthermore, PMS can be used as a tool to handle different institutional logics for all three strategies mentioned. In short, a PMS can be defined as *“a set of performance measures that are jointly considered when making sense of the performance of an organization”* (Carlsson-Wall et al., 2016).

2.1.2.1. Decoupling

An organization that adheres fully to one logic and only symbolically shows adherence to demands of other logics is an organization with a decoupling strategy. Carlsson-Wall et al. (2016) state that decoupling can be structural or situation-specific. When an organization always adheres to one dominant logic and only symbolically to others, the decoupling is structural. One example is when companies symbolically meet the demands of the sustainability logic in their external social- and environmental reporting. On the other hand, when an institutional demand arises, and an organization reacts without changing its practices, the decoupling is situation-specific. A decoupling strategy may increase *“an organization’s chance of survival, as it prevents conflicts from escalating between internal and external institutional referents,”* as stated by Pache and Santos (2013). However, Carlsson-Wall et al.

(2016) explain how a decoupling strategy only can be successful if the demands of external stakeholders are met by the company's symbolic adherence to a logic. Furthermore, a PMS can be used as a means of communication. The PMS may signal to stakeholders that an institutional logic is being taken seriously even if the specific logic is not management's primary focus. In this way, a PMS can enable decoupling.

2.1.2.2. Structural differentiation

Structural differentiation is instead when an organization adheres to different logics in different parts of the organization, as discussed by Carlsson-Wall et al. (2016). In this way, the different logics will not conflict, as one part of the organization will adhere to the demands of one logic and another to the demands of another logic. However, this can be difficult since integration between different units often is required to a certain degree in an organization. Nevertheless, having separate PMS, measuring performance related to different logics and in different parts of the organization, is one way in which PMS can help facilitate structural differentiation.

2.1.2.3. Compromise

The third and last strategy presented by Carlsson-Wall et al. (2016) is compromise. This is when an organization fully adheres to demands of one logic and partly adheres to the demands of other logics. This can also be structural or more situation-specific. An organization can aim to permanently meet the demands of different stakeholders by adhering partly to multiple logics. They do not implement all practices of every institutional logic but include elements of, for example, control systems and routines from them all. However, structural compromises can not determine how to act in all situations, and compromising will then be a response to a particular situation. This is exemplified: *“Managers of a socially responsible investment fund may, for instance, decide on a case-to-case basis whether to invest in a particular firm or not, taking into account that they seek to adhere both to the business logic and the logic of social responsibility.”*

As Carlsson-Wall et al. (2016) refer back to prior research, they explain how so-called “compromising accounts” can come in the form of PMS, which then facilitate compromises between logics. These compromising accounts should include elements that satisfy each internal stakeholder group in an organization. As objectives that are partly inconsistent are

brought together, the compromising account may incentivize dialogue, and the PMS can become a tool that enables compromises between sometimes incompatible logics. The Balanced Scorecard (BSC) is brought up as an example. The authors refer to Sundin et al. (2010), and state that the BSC “*facilitated the balancing of different objectives as it overtly recognized different stakeholders, included multiple perspectives and performance measures, and promoted cause-effect-thinking.*” However, this does not mean that these PMS can predetermine what decisions might come from such compromising. The interest of some stakeholders may still very well be satisfied to a greater extent than others, as one logic may be prioritized in certain situations.

3. Research Methodology

3.1. Research Approach

The dominant research method in prior studies made on the topic of sustainability and the linkages to management control has been a qualitative research method (Crutzen et al., 2017). Continuing, within the frames of qualitative research, a case study approach has become popular in the field of accounting research and management accounting in particular (Ryan et al., 2002).

The nature of the chosen research question calls for a descriptive case study approach. These case studies are aimed to describe accounting systems, techniques and procedures used in practice (Ryan et al., 2002). This is deemed appropriate since the aim is to answer whether the establishment of concrete cause-effect linkages between sustainability- and financial performance affect the priority level of the sustainability issue. The approach also allows for a case selection of more than one company. The initial plan was to conduct a comparative study, and by so doing, end up with a cross-sectional analysis. Such an analysis would highlight observed differences between two companies (Ryan et al., 2002) to help answer the research question. Therefore, this study does include two companies, which were deemed relevant for comparison. Due to time limitation and due to the risk of losing analytical depth, the case selection does not include more than two companies. The two companies were selected due to them having two different perspectives: the perspective of a company that has established a form of concrete cause-effect linkages between sustainability- and financial performance and the perspective of a company that has not done this to the same extent. Concrete cause-effect linkages, in this case, refer to the establishment of monetary key performance indicators (KPIs) in accordance with the TCFD recommendations. How these cause-effect calculations work in practice will be accounted for under 4.2.2. *Performance Measures*. More on the company selection process can be found under 3.3.1.2. *Sample selection and initial contact*.

However, despite the initial plan to conduct a cross-sectional analysis, data exploration led to a different approach. As the data collection process progressed, it became evident that the similarities observed between the two companies did outweigh the observed differences. Therefore, including two different companies with two different perspectives did not shed light on significant differences. Instead, the most significant benefit of including two

companies is that drawn conclusions are supported by more empirical findings. It does not matter from which company evidence is collected to understand the added value of having established concrete cause-effect linkages between sustainability- and financial performance. Thus, the investigation shows that the studied phenomenon is not company-specific.

Moreover, this study relies on a holistic approach rather than a traditional positive empirical methodology. The aim of a holistic approach is to broaden knowledge through the understanding of individual observations in their context (Ryan et al., 2002). As discussed by King et al. (2018), the debate on how to define the quality of research in qualitative research is rather divided. Validity and reliability are well-recognized criterias for assessing the quality of quantitative research. However, such a straightforward set of requirements has not been established for qualitative research. In the remainder of this thesis, the researchers have aimed to be as detailed and transparent as possible when describing the process of research. This will allow the reader to understand how conclusions have been drawn. This is encouraged to ensure the quality of qualitative research by Lincoln and Guba (1985), as cited by King et al. (2018).

3.3. Data Collection

3.3.1. Primary data

3.3.1.1. Semi-structured interviews

The primary source of information for this thesis is semi-structured interviews. These are held with representatives of the selected two companies, and the empirical results generated are the primary ground for further analysis. Semi-structured interviews are deemed appropriate as the format *“involves prepared questioning guided by identified themes in a consistent and systematic manner interposed with probes designed to elicit more elaborate responses”* (Qu and Dumay, 2011). A format that elicits more elaborate answers is favorable since the goal of the interviews is to create an in-depth understanding of sustainability-focused management control via conversation with representatives of the respective companies. Moreover, this interview type allows the interviewee to respond in the way they think and with their way of language use. This is favorable when the goal is to understand the interviewee’s perception of the studied phenomenon (Qu and Dumay, 2011).

3.3.1.2. Sample selection and initial contact

According to Boverket (2021), the construction- and real estate sector answers for 21% of total greenhouse emissions in Sweden. At the same time, the industry accounts for almost 40% of the energy consumption (Naturvårdsverket, 2021). This is likely to put pressure on real estate companies as the world is becoming more environmentally aware. Thereby, this specific industry was deemed interesting when analyzing the effect of different designs of sustainability PMS. This is also why the focus of this thesis is on the environmental aspect of sustainability. The issue of social sustainability will thereby not be further discussed.

Furthermore, the names of the case companies are, in reality, something else. In this thesis, they will be referred to as Alpha and Bravo. Alpha was the first company to accept the participation request. This was the first company to be contacted as initial desktop research revealed that this was a company which does link sustainability performance to financial performance in accordance with the TCFD recommendations, as can be read in its annual report. Thereafter, the second company to contact was selected with three prerequisites: (1) that the company did not report causal linkages between sustainability performance and financial performance to the same extent according to its annual report, (2) that the company also was among the biggest real estate owners in Sweden, making it a company of somewhat comparable size, and (3) that the company was not a subsidiary, risking the influence of a parent company's MCS. The first person contacted at each company was the sustainability manager, and contact details were gathered from company websites. In total, sustainability managers at five different companies were contacted. Three of them answered that they were willing to partake in the study. Out of these three, Bravo was the company selected to proceed with. The reason being that the sustainability manager at one of the other companies was unwilling to sign the GDPR consent form, which was a requirement, and the other one was having difficulties finding time for an interview in the nearest future, being in March to April of 2021.

When selecting representatives to interview at the respective companies, the aim was to end up with a selection that was as diversified as possible both vertically and horizontally. Therefore, the selected interviewees work on different hierarchical levels and in different parts of the organizations. This, to create an overall understanding of the integration level of sustainability strategy in the respective case companies, and to make sure that both the views

of decision-makers and of those affected by the design of sustainability PMS are captured. Therefore, the interviewees range from employees working exclusively with sustainability to employees with other responsibilities, such as operational managers. This can be seen in more detail in *Appendix 8.1*. In total, nine employees at Alpha and five employees at Bravo were interviewed. The initial goal was to end up with a balanced number of interviews. However, the researchers reached a point when conducting additional interviews generated a limited amount of new perspectives or dimensions. Therefore, the researchers found that a certain level of theoretical saturation had been reached, meaning when “*no new elements are found and the addition of new information ceases to be necessary, since it does not alter the comprehension of the researched phenomenon,*” as cited by (Nascimento et al., 2018). Thereafter, it was not considered worthwhile to continue with additional interviews.

The initial contact with each interviewee was established via email. In the first email sent out, the research topic was presented as well as a brief description of the study design, i.e., that the study would include two different companies. As soon as this started to generate accepting responses, interviews were scheduled. Simultaneously, the researchers started to ask accepting respondents for contact details to more employees at the respective companies. This type of snowball sampling can create unwanted bias, as respondents could recommend those whom they know agree with their opinions (King et al., 2018). In order to minimize this risk, the emails sent out asking for additional contact details clearly stated the type of position which was of interest to make sure that the final selection of respondents would be as diverse as possible.

3.3.1.3. Interview context and technique

All of the interviews were conducted in the form of digital video meetings via Microsoft Teams. The average length of the interviews was 40 minutes. To make the dialogue flow as freely as possible, Swedish was the language in use, as this was the native language of all respondents. Involved in each interview were the authors of this thesis and the respondent. Prior to the interviews, a GDPR consent form was sent out to the interviewee, informing him or her about how collected information was to be handled. The consent form also stated that the interviewee was to be anonymized in the study. This was also stated at the beginning of each interview in order to encourage the respondent to speak as unfiltered as possible. The promise of anonymization is also why the case companies in this thesis are referred to as Alpha and Bravo instead of their actual names.

Before the semi-structured interviews took place, an interview guide containing different topics was prepared. Each topic had a selection of open-ended guiding questions, as can be seen in *Appendix 8.2.* and *Appendix 8.3.* The interviews started with introductory questions, meant to help the respondent loosen up - a technique supported by Qu and Dumay (2011). Thereafter followed questions about management control in general, and then questions regarding measurement systems for sustainability in particular. The interview guide helped guide the discussion. However, free discussion and additional questions were added during each interview. The interview guide was not sent out to the respondents in advance. This, in order to capture the respondent's initial reaction to each question and to understand what the respondent knew about sustainability control and measurement without any preparation. As suggested by King et al. (2018), an updated version of the interview guide was created later in the research process (*Appendix 8.3.*). New insights regarding how to focus the interviews emerged as the research process progressed and as the theoretical framework simultaneously developed (read more under 3.2. *Data Analysis*). Therefore, the first interviews were more exploring and the later interviews had a bigger focus on the specific phenomenon under research, being measurement systems and cause-effect linkages. However, the interviews still followed the same structure. The first nine interviews were conducted with the initial interview guide, and the updated version guided the five later interviews.

3.3.2. Secondary data

The secondary source of information for this thesis is annual- and sustainability reports. External reporting was used as a first step to create an understanding of how the companies choose to describe their sustainability strategy, as well as sustainability PMS. Thus, external reporting worked as a ground for decision when picking the two case companies, as the aim was to choose two companies that described their measurement systems in different ways: one with a bigger emphasis on linking sustainability performance to financial performance, and one which, at first glance, did not seem to have established the same type of cause-effect linkages. Annual reports have also been used as sources of information when investigating sustainability key measures in use on a more detailed level. This, since the quite extensive use of key measures in both companies, made it difficult for the interviewees to guarantee that they had not missed mentioning any key measure. How this information has been integrated into the empirics chapter of this thesis can be seen under 4.2.2. *Performance measures*.

3.4. Data Analysis

The process of data analysis evolved during the research period. All interviews held were followed by verbal discussions between the authors of this thesis. Consequently, this was the first step of analyzing and making sense of the gathered information. All interviews were also recorded upon the approval of the respondents. This made it possible to transcribe every interview within a few days. As discussed by King et al. (2018), this also facilitated the process of getting to know the material. A big part of the earlier stages of the research process was also to read prior research. This was a process of continuously going back and forth between the literature and the interviews, attempting to make sense of the collected data. This enabled the researchers to develop the theoretical framework, which came to be based on institutional logics theory, while simultaneously continuing the data collection process. Later in the research process, a system for color-coding was developed. Different themes were identified based on institutional logics theory, and the themes were given their specific color. This made it possible for the researchers to sort the collected data by highlighting the transcribed interviews with different colors. The headings under the empirics chapter of this thesis were then based on these identified themes. To exemplify, all transcribed material discussing whether contradictions prevailed in the respective companies, between being profitable and being sustainable, was asserted one color. Such empirics were later categorized under *4.2.1 Views on compatibility* in the empirics chapter of this thesis. Also, since the interviews were held in Swedish, all quotes used have been translated from Swedish to English. Furthermore, these quotes have also been sent to the respondents for approval.

4. Empirical Findings

4.1. Empirical Background

The empirical findings presented in this section represent the perspectives of nine employees at Alpha and five employees at Bravo. Each interviewee has shared their thoughts regarding sustainability strategy, as well as the design of sustainability control systems and measurement systems in particular. Although the interviews have had a sustainability focus, it is to be understood that both companies are for-profit, and even though performance measures mentioned in this empirics chapter are sustainability-related, both companies have measurement systems stretching beyond sustainability. Financial performance, among other perspectives, is also part of the company-wide measurement systems. Moreover, the personal involvement in sustainability-related questions differs between the interviewees, as well as the length of employment. This does, in turn, affect the answers given.

Due to the vast amount of transcribed material, it has not been possible to include citations of every interviewee for all matters discussed. However, the general view of all respondents has been included in the empirics chapter. The primary data is based solely on empirics gathered from conducted interviewees. Therefore, it is possible that some perspectives of the companies are not accounted for. Moreover, the empirics describe the companies until May 2021.

Each of the following sections will follow the same structure. Under each heading, different topics are presented. For every topic discussed, the empirics from Alpha will be presented first, followed by gathered empirics from Bravo.

4.2. Institutional Logics Related Empirics

4.2.1. Views on compatibility

The Sustainability Manager at Alpha claims that being sustainable is the only way to remain profitable long term. According to her, the sustainability strategy is well integrated into the organizational culture, and she emphasizes how company-wide sustainability goals reflect this

notion. Further, her view is that all employees are conscious about this. The Group Sustainability Controller adds how it, by now, probably is clear to all employees at Alpha that it is profitable to work with sustainability related questions. Moreover, she brings up several different examples of why sustainability engagement also contributes to improved profitability for the company.

We have a lot of green financing, which has become an important factor for investors to be willing to buy our bonds. Banks grant us loans because we work with these issues, which is essential for us to survive in the long run. We can also see how this results in lower interest costs for us. There are several different aspects why sustainability engagement is important, but profitability is definitely one. (Group Sustainability Controller, Alpha)

Moreover, she explains how there, in general, are no contradictions between sustainability and profitability. This is said to be true, especially long term. Though, she states that it may be hard to determine the final return of an investment at the point of investing since payback times can be long.

The Interviewees working exclusively with sustainability related issues at Alpha are not the only ones believing that sustainability practices will imply improved profitability. All interviewees at Alpha seem to agree on this notion, and they all claim that Alpha has managed to integrate the sustainability aspect into the overall business strategy. For instance, the Business Controller states that being sustainable is now, more than ever, an essential part of being profitable.

Instead of saying that if we do this, we will make more money, one can say that if we do not do this, we will not make any money at all. (Business Controller, Alpha)

A majority of the interviewees do elaborate with examples. It is stated how investing in increased energy efficiency, in turn, leads to lowered energy costs. Furthermore, they explain how having environmentally certified properties is essential for Alpha to be an attractive property owner. The Business Area Manager (2) states that *“It is part of some companies’ strategy today, to only have environmentally certified office properties. [...] By certifying our*

properties, we thereby increase the attractiveness, which in turn has a positive impact on the property value.“

Furthermore, the general belief among the interviewees at Alpha is that even though sustainability investments in many cases have a greater impact on cash-outflows, they may imply a competitive advantage in the future. The Tenant Advisor, for instance, seems to be convinced that sustainability investments are profitable long term. He states that *“being sustainable is to be able to do things that are expensive short term, but which give a higher return long term.”*

Moreover, Alpha is state-owned, and a general belief at the company is that the owners are a positive force for continued sustainability engagement. For example, the Group Treasurer says that *“when we started environmentally certifying our properties about ten years ago, competitors said that such things only would cost money and that the only reason we could do it is that we are state-owned.”* Despite the high initial cash-outflows which sustainability investments require, the owners encourage such investing. Interviewees collectively state how the owners demand that the companies they own take responsibility for legitimacy- and reputational reasons. Moreover, although investing in sustainability comes at a high price, interviewees at Alpha state how they often can, and want to, prioritize sustainability to a large extent in decision making. However, they admit that being sustainable is expensive and that it requires large cash-outflows short term.

Interviewees at Bravo jointly confirm that they believe it to be important to incorporate sustainability into the overall business strategy. This is due to the common belief that such engagement will generate a return to shareholders, which are the owners of Bravo. Much like the employees at Alpha, interviewees at Bravo also state how they believe that improved energy efficiency, for example, will lead to lowered costs. Moreover, according to the Sustainability Manager, it is evident that customers will start to demand sustainable properties to a greater extent. This is something which has been proved in a conducted study, and he states that *“the study shows how one out of four customers had some kind of requirement regarding sustainability during our last relocation. It is forecasted that during the next relocation, three out of four will have these requirements.”* He further explains how they must offer sustainable properties in order for customers not to choose a competitor.

The Project Development Manager at Bravo, along with a majority of the other respondents, agrees that customer requirements are increasing. However, sustainable properties are expensive to build, and the property value is not fully reflected by the size of the investment today. Thereby, it is not possible to charge higher rental fees because of sustainability yet. He is, however, confident that customers' understanding regarding the value of sustainable properties will increase, which will increase the property value in the long term.

Furthermore, all other interviewees at Bravo agree that sustainability and profitability go hand in hand long term. They state that sustainability investments would not have been made to the same extent if they did not imply increased profitability in the long run.

We are ambitious and want to be at the forefront. [...] sometimes we need to try new things which are not necessarily profitable, but which we do think will be profitable in the future. Leading the development is expensive. Therefore, it is important to look further because the payback will hopefully come later on. (Sustainability Specialist, Bravo)

The regional Sustainability Manager elucidates how some sustainability investments are not fully financially doable today. She says that “*if resources were unlimited, we would, of course, be able to do even more.*” She does thereby see certain contradictions between sustainability and profitability, as the company has to prioritize staying profitable in the end.

4.2.2. Performance measures for sustainability

When asking the interviewees at Alpha what key measures are used to follow up on sustainability performance, the two measures which they all mention are energy intensity (kWh/m^2) and the percentage of the total property area that is environmentally certified.

Energy performance is a key measure that we have followed for more than ten years [...] We have also worked with environmental certifications for many years, and certify virtually all our properties. These are the two key measures, above all, that we continuously highlight in interim reports and annual reports. (Group Sustainability Controller, Alpha)

Furthermore, a majority of the respondents explain how they also measure water usage (m^3/m^2), waste in tons (both construction waste and waste by tenants), and carbon dioxide emissions. The group sustainability controller also mentions how they have started to measure material use in new production (kg/m^2). The different key measures mentioned are said to be examples, as all of the respondents know and think that the whole measurement system for sustainability is quite extensive.

The main sustainability performance measures included in Alpha's annual report are stated in the table below.

Table 1 - Alpha performance measures

What is measured	<i>KPI</i>
Material usage in new production	kg/m^2
Energy usage	<i>GWh</i>
Energy intensity	kWh/m^2
Self-produced electricity	<i>MWh</i>
Water usage and water intensity	m^3 and m^3/m^2
Direct and indirect emissions	<i>According to Scope 1-3</i>
Construction waste	<i>Tons</i>
Waste by tenants	<i>Tons</i>
Waste in new construction	kg/m^2
Environmental certifications	<i>%</i>
New suppliers that were screened using environmental criteria	<i>Amount</i>

(Alpha, 2021)

The non-financial key measures used by Bravo are similar to those used by Alpha. All employees at Bravo mention how they, for instance, measure energy usage and environmental certifications. Four out of five respondents also mention water usage, waste and carbon dioxide emissions.

The main sustainability performance measures included in Bravo's annual report are stated in the table below.

Table 2 - Bravo performance measures

What is measured	KPI
Energy usage	<i>MWh</i>
Energy intensity	<i>kWh/m²</i>
Water usage and water intensity	<i>m³ and m³/m²</i>
Direct and indirect emissions	<i>According to Scope 1-3</i>
Hazardous waste	<i>Tons</i>
Waste to combustion	<i>Tons</i>
Environmental certifications	<i>%</i>

(Bravo, 2021)

Continuing, the Sustainability Manager at Alpha explains how they also calculate how the, according to her, most important sustainability key measures affect the company's financial performance. This is done in accordance with the TCFD framework.

For example, if we have reduced energy use by XX%, we have tried to recalculate it in monetary terms, and if it is difficult to make it exact, we have made assumptions.
(Sustainability Manager, Alpha)

The Group Sustainability Controller also explains how they have tried to calculate the financial effect of their environmental performance, according to the TCFD framework. She states that 2020 was the third year of using TCFD's recommendations and that Alpha has continuously developed and increased the extent to which they follow the TCFD recommendations.

We have tried to identify a number of risks and opportunities related to climate change. We have then, for example, considered the effects these risks could have on earnings, balance sheet, and cash flows, if they were to arise. (Group Sustainability Controller, Alpha)

The other respondents do not mention the TCFD and the specific calculations made in accordance with the TCFD recommendations. For instance, the Technical Area Manager (1)

at Alpha states that he knows that the company does link sustainability performance to financial performance in some kind of way. However, he is not sure exactly how this is done.

At the same time, the sustainability manager at Bravo explains how they do follow the recommendations of the TCFD to a certain extent in their external reporting. However, they have not done any concrete cause-effect linkages yet.

Today, it [the TCFD reporting] is only qualitative analyses, [...]. Going forward, as more data becomes available, the aim is to calculate the actual impact on cash flows and on the value of properties. Then you get an actual financial KPI explaining how sustainability practices affect financial performance. (Sustainability Manager, Bravo)

4.2.3. Views on sustainability measures' effect on decision making

In general, all nine interviewees at Alpha agree that internal motivation primarily stems from the ambition of contributing to a better and more sustainable world. They conclude that all people want to contribute to something important, and by engaging in these issues, this endeavor is achieved. However, all of the respondents believe in the value of measuring continuous improvement of performance.

The Business Controller at Alpha explains the importance of having established sustainability key measures with an example. She states how, when working towards lowered energy usage, satisfaction is achieved when successfully reducing the consumption by, for example, five percent. She believes that employees feel satisfied as they are doing great things, and this is possible by being able to measure improvements.

The Business Area Manager (2) at Alpha also contributes with an example. She describes how they consider both the sustainability aspect and the financial aspect when looking for a new tenant. For example, some tenants demand Alpha to make changes to their properties. This would often result in unnecessary environmental damage in the form of, for instance, additional waste and emissions. However, they simultaneously have to consider when they believe that the next offer from a tenant will come since they may not afford to let the property remain unoccupied for too long. They thereby consider the effects that the decision would have both on financial- and sustainability KPIs, making the Business Area Manager (2)

confident that the inclusion of sustainability KPIs is important in order to consider the sustainability aspect in decision making thoroughly.

Continuing, even though not all of the respondents mention the use of the TCFD framework nor specific cause-effect linkages, all of them have thoughts on the value of such calculations. For example, the Sustainability Manager at Alpha believes that such linkages create increased incentives to work with sustainability issues. She states that they pride themselves on what they are doing in terms of sustainability, and she thinks that a big part of that pride is the fact that they can prove that it makes them more profitable.

Even if we have not been that clear externally about the financial effects, we have been able to talk internally about how it affects profitability for at least five years now. This has increased the willingness to both invest in sustainability and raise the level of ambition. (Sustainability Manager, Alpha)

At the same time, the Group Sustainability Controller at Alpha believes that the importance of having established cause-effect linkages of sustainability performance and financial performance for motivational purposes depends on where the company is on its journey to becoming sustainable.

It was more important before, when we probably needed to engage more employees, and increase the stakeholder understanding. [...] It is not unimportant; it is clear that people still are interested in seeing how it [sustainability performance] contributes in terms of financial results, so it is important, but the degree of importance depends on where you are on your journey to sustainability. (Group Sustainability Controller, Alpha)

Other respondents were not as convinced about such calculations' effect on internal motivation to work with sustainability issues. For instance, the Business Controller at Alpha thinks that these types of calculations are good, but she does not think they are crucial. She states that “*We are such a big company, so we have to take the lead in this in order for others to follow.*” Also, she has not noticed that the calculated effects of sustainability performance in monetary terms would have been communicated internally, but believes that could be a good thing to do.

The Technical Area Manager (1) at Alpha agrees that effects of sustainability performance in monetary terms rarely are communicated internally. Moreover, he does not believe that such calculations are a must to increase internal motivation. He says that these numbers, to some extent, are fictitious and hard to make exact. Moreover, he states that it is always possible to speak in terms of financial effects but these calculations are not the primary driver for motivation. Instead, the effect on non-financial measures is said to be the main focus in decision-making processes.

Employees at Bravo agree with the employees at Alpha regarding the importance of being able to measure sustainability performance with non-financial key measures. Every person asked at Bravo believes that measurability is important to motivate sustainability work.

I believe that various KPIs are crucial to move forward. Even if you have a personal drive and motivation to work with these issues, this is a way to get everyone on board.

(Regional Sustainability Manager, Bravo)

This is confirmed by operational managers at Bravo as well. For instance, the Project Development Manager states how “*it is always easier when something is concrete, and you can show the actual benefit,*” meaning that following up on key measures helps track progress which motivates sustainable decision making.

The Business Area Manager at Bravo also explains how, for example, if they are to switch ventilation systems in order to improve energy efficiency, they start by making investment calculations in order to know whether the intended investment should be made or not. Suppose that there would not have been a measurement system in place following up on, for example, energy efficiency. In that case, he finds it doubtful that they would prioritize sustainability issues to the same extent. Further, he states how they are willing to take on higher costs if the investment seems to contribute to improved sustainability performance. A similar scenario is described by other interviewees as well, indicating that this often is the case.

When discussing the potential effects of establishing concrete cause-effect linkages at Bravo, most respondents state that it would be a nice dimension to add. However, concerns about the

possibility of making such calculations exact and to the point are brought up, as well as the risk of ending up with a measurement system that eventually is too complex. For instance, the Sustainability Manager at Bravo states how this could lessen the level of comprehension among employees, which would not necessarily facilitate sustainable decision making.

The most important thing when working with KPIs is to make them as non-complex as possible. When you link two areas together, you risk ending up with calculations that are very hard to understand. (Sustainability Manager, Bravo)

The Sustainability Specialist also highlights the difficulty of making these calculations. He explains how they, for instance, “*may have saved XX% in energy, but if the electricity price went up SEK XX during the same period, the energy-saving would be consumed by the increase in price anyways.*” Furthermore, he, together with a majority of the interviewees at Bravo, believes that in order for such calculations to be an effective part of the measurement system, they would need to be reliable and exact, which is hard to assure.

Furthermore, concrete cause-effect linkages are not considered an absolute necessity in order to drive internal motivation to prioritize sustainability issues. All interviewees at Bravo confirm that there is an already high level of internal motivation to work with these issues. This is claimed to be a reason why cause-effect linkages might not be essential. It is also due to how effective the system of non-financial measures already is. For instance, the Business Area Manager states how “*The way we measure sustainability performance today is quite effective in order to motivate the work.*” The respondents at Bravo also collectively explain how they, even though not reporting concrete cause-effect linkages, have seen how sustainability performance can affect financial performance in various ways. Therefore there is already a common belief that improved sustainable performance will lead to improved financial performance, even though they do not have concrete cause-effect linkages to show for this.

4.2.4. Additional value of cause-effect linkages between the two logics

The Sustainability Manager and the Group Sustainability Controller at Alpha state how cause-effect linkages increase internal motivation, to engage in sustainability practices. However, the Group Sustainability Controller at Alpha also believes that certain external

stakeholders might start demanding companies to include these types of calculations in external reporting. This is something that most respondents at Alpha mention as the primary reason why such calculations might be of importance.

For instance, the Technical Area Manager (1) believes that it is valuable to be able to report causal linkages to external stakeholders and primarily to the ones investing in the company. He states that they are interested in the way the company works, and especially with sustainability issues. He believes, however, that “*they may not be interested in whether the lowered energy intensity leads to a saving of SEK XX per year,*” but the inclusion of such linkages sends out the signal that these issues are being taken seriously.

The Group Treasurer at Alpha agrees that investors care about sustainability practices and how the company performs financially. He also mentions that the owners are important stakeholders who demand both sustainability engagement and financial success, making these types of calculations a valuable thing to include in external reporting.

It is mainly our investors who want to see these things. The better we perform, the lower the risk is to lend us money. It is also important to our owners [...]. For them, I think it is important since it gives a better return, and also because they can be proud to be our owners. This is an important factor, especially since we are state-owned, making us an entity in the eye of the public. (Group Treasurer, Alpha)

Even though Bravo has not yet established concrete cause-effect linkages, the respondents discuss potential value added by such calculations. The reasoning goes quite well in line with what is said in discussions with Alpha. A majority of the respondents at Bravo agree that cause-effect linkages could be a good thing to establish in order to be able to signal, especially to investors, that these issues are being taken seriously.

Moreover, it is stated how the demand is increasing among shareholders as well. The Regional Sustainability Manager explains that being sustainable indirectly equals being profitable long term. As shareholders want a return on their investment, they want Bravo to be profitable. Therefore it is crucial for Bravo to work with sustainability issues. Being able to provide evidence in terms of key measures is thereby naturally to their advantage, making

representatives at Bravo view cause-effect linkages as a valuable thing to add in external reporting in the future. However, it is considered difficult to make such calculations precise.

We still have a hard time calculating what sustainability practices really generate in monetary terms. We see that the owners, our shareholders, want us to be more precise and to be able to report such things. We do not really have that knowledge yet and are not used to it, so we still have a way to go. (Sustainability Specialist, Bravo)

5. Analysis

The following analysis aims to systematically discuss gathered empirics, with support from the theoretical framework of institutional logics. The analysis will also include prior research presented in the introductory sections of this thesis. The theory of institutional logics is thereby used to discuss and make sense of empirical findings, whereas prior research will be brought up in order to understand whether the findings of this thesis are in line with or contradict prior research.

5.1. Hybrid Companies

Both companies under study are for-profit and do, at the same time, aim to improve sustainability performance continuously. Both companies also claim how sustainability has become a well-integrated part of the overall company strategy. The gathered empirics seem to confirm this claim due to the unity observed among respondents who all are aware of set sustainability goals and how the company works to reach them. Thereby, both companies are understood to follow the recommendations put forward by Arjaliès and Mundy (2013), discussing how incorporating sustainability into the overall strategy is necessary if aiming to create long term value through sustainability performance.

Furthermore, the gathered empirics show how the two companies are trying to meet the demands of both the profitability logic and the sustainability logic. This is evident since, as previously mentioned, both companies are for-profit by nature and have tried to make sustainability an integrated part of the overall business strategy. Moreover, all respondents believe that a profitable company in the future will be a company that is meeting sustainability demand long term. Due to the long-term thinking observed, little suggests that this would be some kind of transition period and that one of these logics would dominate in the end. Instead, this type of business thinking goes in line with what prior research defines as hybrid companies - being companies that aim to meet the demands of multiple competing logics simultaneously over a lengthy period of time (Pache and Santos, 2013; Nielsen et al., 2019).

5.2. Institutional Complexity and an Ambiguous Relationship

The empirical findings also show how attempting to adhere to both the sustainability logic and the profitability logic, at times create complexity. As suggested by Nielsen et al. (2019), institutional complexity may arise due to various demands of different logics. As already noted, there is a general agreement among the respondents that sustainability will be an important part of a profitable business in the future. However, a certain degree of incompatibility prevails in some situations, especially short term, which in turn determines how much sustainability can be prioritized. The Sustainability Manager at Alpha claims that this is a non-issue, as she believes that everyone in the company sees the value of investing in sustainability. She explains how concrete cause-effect linkages, in part, have contributed to this, as such calculations can be viewed as evidence that sustainability performance is worthwhile financially. However, especially the operational managers interviewed elaborate further on the actual compatibility issue.

The operational managers agree that people are starting to see how investing in sustainability may lead to greater returns long term. However, at the same time, they add that situations still arise when it is hard to fully meet the demands of the sustainability logic and the profitability logic simultaneously. The findings of this thesis support the conclusions drawn by Arjaliès and Mundy (2013), claiming that companies often struggle to reconcile long-term sustainability demands with the demand for short-term economic gains. For instance, all employees at Alpha who do not solely work with sustainability issues state that sustainability investments require larger initial cash-outflows. All employees at Bravo do also confirm this view. For instance, the Regional Sustainability Manager at Bravo expresses that restricted resources limit employees in the operations from making all sustainability investments possible. Arjaliès and Mundy (2013) also state how it may be difficult for companies to measure the return on sustainability investments. The findings of this thesis also support this notion. To exemplify, the Group Sustainability Controller at Alpha states how it may be hard to determine the final return of an investment at the point of investing, since payback times can be long.

Thereby, regardless of having established concrete cause-effect linkages or not, the general view is interpreted as quite the same; sustainability investments require big cash-outflows, which may jeopardize adherence to the demands of the profitability logic when financial

resources are not unlimited. Also, similar to the example put forward by Carlsson-Wall et al. (2016) with the sports- and business logic, the conducted research confirms that it can be difficult to decide whether a decision will favor a specific logic in certain situations. This is true when, for instance, a company makes a larger sustainability investment without knowing the final return in advance. Therefore, the ambition to meet the demands of both logics primarily creates complexity for the ones working further down in the operations. This complexity comes in the form of a constant need to prioritize between the demands set by the two logics and work towards goal fulfillment in both areas, which at times can be contradicting. Moreover, the claim that more sustainable options often are chosen despite longer payback times is more recurring in the interviews with Alpha than with Bravo. However, this is not due to different views on the compatibility between the two logics. Instead, Alpha repeatedly refers back to the fact that they are owned by the state, which encourages them to make larger sustainability investments.

It is possible that this complexity may decrease by time, as the companies start to see what sustainability investments are worth financially. The complexity may also decrease as customers and owners start demanding adherence to both logics. For instance, the Project Development Manager at Bravo states how customer requirements are increasing. He explains how, even though sustainable properties are costly to build, and today, the property value is not fully reflected by the size of the investment, this may change in the future. This, since customers will start to understand the value of sustainable properties, which will increase the property value in the long run. However, as stated previously, it is clear that the companies currently have to find ways to manage the presence of complexity due to adhering to two competing logics simultaneously.

5.3. Potential Strategies to Manage Ambiguity

Furthermore, both case companies use various non-financial measures to track sustainability performance. Since these performance measures are used throughout the organizations, and since all interviewees confirm a constant need for prioritizing between the sustainability- and profitability logic, it becomes evident that none of these companies are using a structural differentiation strategy. That is, when an organization adheres to different logics in different parts of the organization in order to avoid tension or conflict between different logics, as explained by Carlsson-Wall et al. (2016).

Moreover, since both companies have integrated sustainability into their overall strategy and set company-wide sustainability goals, little suggests that they only symbolically would meet the demands of the sustainability logic. Also, as both companies are for-profit, it is evident that none of the companies would adhere only symbolically to the profitability logic. Thereby, this does not seem to be a case of decoupling; when an organization adheres fully to one logic and only symbolically shows adherence to demands of other logics, a strategy discussed by Carlsson-Wall et al. (2016) as well as Pache and Santos (2013). Continuing, as all interviewees were able to list various non-financial measures used to track sustainability performance, it becomes clear that these measures are in use and not just merely in place to signal adherence to the sustainability logic. It is thereby established that none of the two case companies are using neither a structural differentiation strategy nor a structural decoupling strategy to manage the two logics' competing demands. This leads the discussion towards a compromise strategy; when an organization aims to permanently meet the demands of different stakeholders by adhering partly to multiple logics, as discussed by Carlsson-Wall et al. (2016).

5.4. Compromising as a Way of Managing Ambiguity

The constant need for prioritizing between the two logics, as explained by most interviewees, suggests that this might be a case of compromise. Naturally, all respondents are aware that both companies are for-profit and therefore aim to meet the demands of the profitability logic, such as sufficient returns. However, all interviewees are also aware of set sustainability goals and can state how they contribute to these goals as well as how performance is measured. This suggests that both companies use a compromise strategy and that established PMS facilitate such compromises, making them so-called “compromising accounts.” As partly inconsistent objectives are brought together, the compromising account may incentivize dialogue, and the PMS can become a tool that enables compromises between sometimes incompatible logics, as explained by Carlsson-Wall et al., 2016. This phenomenon can be seen in both case companies.

The Business Area Manager at Bravo states how, for instance, if they are to switch ventilation systems in order to improve energy efficiency (a non-financial measure included in their PMS), they start by making investment calculations. However, The Business Area Manager

also marks that whenever an investment or project will contribute to set sustainability goals, they are often willing to take on higher costs. Therefore, these compromises are often discussed. Moreover, if there would not have been a measurement system in place following up on energy efficiency, for instance, he finds it doubtful that they would prioritize sustainability issues to the same extent. These types of considerations are brought up by several other interviewees at Bravo, and this is also consistent with what is found to be the case at Alpha. Thereby, this study also confirms what is noted by Arjaliès and Mundy (2013), who state that measurability becomes crucial for sustainability goals and objectives not to be overlooked. These findings also agree with the reasoning behind the BSC: “*What you measure is what you get*” (Kaplan and Norton, 1992). In the case of Alpha and Bravo, this shows the importance of including both a financial- and a sustainability perspective into a PMS. This, in order to be able to constantly try to meet the demands of both logics and compromise between the two. However, moving forward, the findings of this thesis broadens this view by also investigating whether causal linkages in the form of monetary KPIs are beneficial when trying to make sure that the demands of the sustainability logic are not overlooked.

5.5. Limited Value Added by Cause-Effect Linkages when Compromising

It is now established that both companies use a compromise strategy and that the PMS seem to be of importance in order to facilitate compromise. However, although the Sustainability Manager at Alpha claims that concrete cause-effect linkages have helped to encourage adherence to the sustainability logic demands, little suggests that incorporating such linkages would promote compromising to any greater extent. Instead, incorporating non-financial sustainability measures into the overall PMS seems to be the primary enabler for a compromise strategy.

As has been stated, the belief that improved sustainability performance has a positive effect on long-term profitability is shared by both companies. This happens to be the case, although the two companies represent different perspectives: the perspective of a company that has established some concrete cause-effect linkages of sustainability- and financial performance, and the perspective of a company that has not done this to the same extent. For instance, most respondents at both companies state how they believe that environmental certifications imply a higher property value and may enable them to charge higher rental fees. To exemplify, the Business Area Manager (2) at Alpha states how certifying the properties leads to increased

attractiveness which in turn has a positive impact on the property value. This is confirmed by the Project Development Manager, among others at Bravo as well. Another example is how respondents at both companies believe that improved energy efficiency leads to reduced costs. This, even though Bravo, in contrast to Alpha, has not yet set up concrete KPIs to show for this linkage in monetary terms. The similarities observed in how these companies view sustainability performance lead to the conclusion that: it seems to be of importance to realize how sustainability performance may ensure long-term profitability in order to incentivize sustainability work. However, at the same time, mapping out concrete cause-effect linkages may not be an as important aspect to drive internal motivation due to the already existing belief among employees that neglecting the demands of the sustainability logic will be detrimental for long-term profitability. Moreover, it is also understood that an internal motivation to contribute lessens the added value of concretizing causal linkages between sustainability and financials in a compromise strategy. It is confirmed by all respondents that partaking in the company's sustainability journey helps contribute to a better world, something which most employees have an intrinsic motivation to do. Thereby, additional proof regarding how sustainability performance may positively affect financial performance is not necessarily found to be needed.

Furthermore, the reliability of cause-effect linkages in monetary terms has been questioned - also undermining the value added by such calculations when trying to compromise between the two logics. The Technical Area Manager (1) at Alpha, among others, states that monetary effects of sustainability performance rarely are communicated internally. However, even if these calculations would have been communicated more often, employees at Alpha question the reliability of such calculations. For example, the Technical Area Manager (1) at Alpha states that the financial sustainability measures are fictitious, to some extent, and hard to make exact. Furthermore, he confirms that non-financial measures are the KPIs mainly taken into account in decision making - confirming that interviewees view non-financial measures as more reliable. The issue is discussed and confirmed by interviewees at Bravo as well. For instance, the Sustainability Specialist, together with a majority of the interviewees from the company, believes that financial sustainability measures would need to be reliable and exact to be effective, which is hard to assure. Moreover, concerns are raised by interviewees at Bravo regarding the risk of making the PMS too complex. For instance, this is stated by the Sustainability Manager at the company, as he explains that the most important thing when

working with KPIs is to make them as non-complex as possible. He further states that when linking two areas together, you risk ending up with calculations which are hard to understand.

Consequently, this study does in part contradict the findings of Kaplan and Norton (2000), as they discuss the benefits of mapping out causal links between different company perspectives. In this thesis, cause-effect linkages refer to KPIs in monetary terms and not to so-called strategy maps, i.e., tools concretely stating how different organizational perspectives do link (Kaplan and Norton, 2000). However, the understood purpose of both strategy maps and concrete cause-effect linkages, in monetary terms, is to concretize linkages. As previously discussed, little suggests that mapping out concrete cause-effect linkages between sustainability- and financial performance in monetary terms would contribute considerably to increase the priority level of sustainability action. Instead, an already existing belief that sustainability is crucial to ensure corporate success, as well as an already high level of intrinsic motivation to contribute, are what help employees to coordinate and collaborate to reach formulated goals. Furthermore, the perception that financial measures on sustainability performance are less reliable than non-financial ones also undermines their efficiency as a tool to heighten the priority level of sustainability action when compromising between the two logics. The already existing belief that sustainability performance leads to improved profitability long-term may also explain why established causal linkages at Alpha are not used to any greater extent to communicate the overall strategy throughout the organization. This is something that Kaplan and Norton (2000) otherwise highlight as one of the benefits of having created strategy maps.

5.6. Actual Value Added by Cause-Effect Linkages

It is by now understood that concrete cause-effect linkages do not seem to be used to guide decision making primarily. Instead, these calculations do mainly seem to contribute by signaling to external stakeholders that these issues are being taken seriously. This mimics something which could be interpreted as decoupling, the phenomenon discussed by Carlsson-Wall et al. (2016). Though, as stated before, the overall strategy can not be considered to be decoupling in any of these companies. This, since both companies are for-profit and have set company-wide sustainability goals, and also have managed to integrate sustainability into the overall strategy.

A majority of the interviewees at both companies support the notion that concrete cause-effect linkages may be valuable, to signal to external stakeholders that they adhere to the sustainability logic. One stakeholder group brought up by both companies is the investors. For instance, the Group Treasurer at Alpha explains how investors are said to care since sustainability long term means lowered financial risk for them, when lending out money. However, the Technical Area Manager (1) at Alpha believes that the investors may not be interested in whether the lowered energy intensity leads to a saving of SEK XX per year. Though, it assures them that these issues are being taken seriously. Even though Bravo has not yet established concrete cause-effect linkages, the respondents discuss how they can see an increased demand from their external stakeholders. They agree that investors are starting to demand these things to be reported to a greater extent.

The other stakeholder group which is repeatedly brought up is the owners. In the case of Bravo, these are the shareholders. The Sustainability Specialist at Bravo states how they have noticed an increased demand from their shareholders to be specific regarding these things. The Regional Sustainability Manager adds that, being sustainable indirectly equals being profitable long term. As shareholders want a return on their investment, they want Bravo to be profitable. Being able to provide evidence in terms of key measures would thereby naturally be to their advantage. However, as Alpha is owned by the state, there are additional reasons why these issues have to be acknowledged. It is agreed upon how the owners do not solely care because of the return aspect but also because of reputational reasons. This, due to them being an entity in the eye of the public. Thereby, it lies in their interest that Alpha can signal that sustainability issues are a big priority, which cause-effect linkages in external reporting help achieve.

6. Conclusion

This thesis aims to provide an answer to whether concrete cause-effect linkages between sustainability performance and financial performance affect how a company prioritizes the sustainability issue. With the theory of institutional logics as a guiding framework, the phenomenon has been investigated. The analysis contributes with additional support for previous research within the field. It also provides new understandings regarding the potential effect of concrete cause-effect linkages, i.e., linkages showing how sustainability performance affects a company in monetary terms. Thereby, the conducted research contributes with more empirical findings, meant to broaden existing knowledge of sustainability management control. The findings also contribute with new empirical insights. This, as prior research, to the best of our knowledge, mainly has focused on whether such causal relationships exist, rather than how they affect the level of priority if being implemented. Moreover, the research also contributes with practical insights, which companies may use as they work with the issues discussed.

The findings primarily explain the case of large real estate companies in the Swedish market, with a formulated sustainability strategy in place. The companies under study are defined as hybrid companies, aiming to adhere to both the profitability- and the sustainability logic. Because of efforts to adhere to both logics, a certain degree of institutional complexity can be observed. This is due to the, at times, ambiguous relationship between the two logics. The ambiguity, in this case, stems from a similar problem to the one put forward by Arjaliès and Mundy (2013); that companies often struggle to reconcile long-term sustainability demands with the demand for short-term economic gains. Furthermore, both companies are understood to use a compromise strategy when managing the sometimes competing logics. With a compromise strategy in place, a measurement system containing various non-financial KPIs for sustainability is a helpful tool to facilitate compromise. This is found to be the case, as it constantly forces employees to not only work towards the targets of financial KPIs but also those set up to track sustainability performance. These findings thereby support earlier research, suggesting that a PMS can become a tool which facilitates compromise when inconsistent objectives are brought together, as explained by Carlsson-Wall et al. (2016).

However, establishing concrete causal linkages between sustainability- and financial performance in monetary terms is not deemed to contribute considerably in order to raise the

priority level of sustainability action when compromising between the two logics. This is found to be the case for a few different reasons. Firstly, a general belief that sustainability performance will contribute to improved profitability in the future is present regardless. This shared understanding lessens the added benefits of establishing these linkages in more concrete terms. Secondly, a high level of intrinsic motivation among employees to contribute also reduces the need to show concrete linkages in monetary terms. This, because the will to improve sustainability performance goes beyond the need to achieve good financial results, as people want to contribute to something meaningful. Thirdly, non-financial measures for sustainability are currently deemed more trustworthy, as concrete cause-effect linkages in monetary terms are still considered somewhat unreliable. Consequently, this makes them a less effective tool for internal control.

Thereby, the answer to the research questions is: concrete cause-effect linkages in the form of monetary KPIs do not seem to considerably affect the way a company prioritizes the sustainability issue. Conducted research does thereby, in part, contradict the findings of Kaplan and Norton (2000), as they discuss the benefits of mapping out causal links between different company perspectives. However, the cause-effect linkages may be valuable as a tool of signaling to external stakeholders that these issues are being taken seriously. Investors and owners are considered to be the two stakeholder groups with the most increasing demand. However, the demand of owners seems to be extra notable when the company is state-owned and not owned by shareholders.

It is important to note that this answer is contextual to a certain extent, and the answer might thereby not stand for a company which (1) has not come as far on its sustainability journey, (2) does not have a measurement system in place with non-financial measures, tracking sustainability performance and, (3) is not in the real estate industry. Due to these contextual considerations, it would be interesting for future research to investigate whether the answer stands true even for companies in other industries. It would also be interesting to see how mapping out the causal linkages between sustainability- and financial performance would affect the sustainability performance in companies that are at the beginning of their sustainability journey. These companies may, therefore, not have a company culture emphasizing the need for sustainability engagement in place, nor a well-functioning sustainability PMS. Depending on the results of such research, it would potentially provide more ground for the generalization of the conclusions drawn. Moreover, the interest of

external stakeholders is investigated via conversation with employees at the case companies in this thesis. Therefore, it would also be interesting for future research to look at how the demands of external stakeholders are changing via first-hand conversations with external stakeholders. This, in order to find support for the conclusions of this research or potentially disprove them.

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8. Appendix

8.1. Interviewees

Table 3 - Interviewees at Alpha

<i>Interviewee</i>	<i>Date of interview</i>
Tenant Advisor	08-Mar-21
Sustainability Manager	10-Mar-21
Business Controller	12-Mar-21
Technical Area Manager (1)	22-Mar-21
Group Treasurer	24-Mar-21
Group Sustainability Controller	31-Mar-21
Business Area Manager (1)	20-Apr-21
Business Area Manager (2)	21-Apr-21
Technical Area Manager (2)	21-Apr-21

Table 4 - Interviewees at Bravo

<i>Interviewee</i>	<i>Date of interview</i>
Sustainability Manager	19-Mar-21
Sustainability Specialist	29-Mar-21
Regional Sustainability Manager	06-Apr-21
Project Development Manager	13-Apr-21
Business Area Manager	20-Apr-21

8.2. Interview Guide 1

When presented, this interview guide has been translated from Swedish to English.

Introductory

- What is your role at [company name], and what do you do in your daily work?
- Is sustainability an integrated part of the overall strategy at [company name]?
- How are you affected in your daily work by the company's sustainability work?
- What are the main reasons why [company name] works with sustainability issues?
- What is your attitude towards working with sustainability issues?

Management control

- Is the sustainability mindset integrated into the organizational culture, and if so, how?
- How are sustainability issues communicated internally? How do you get information about it and from whom?
- What is the general level of motivation to work with these issues at [company name]?
- Who is responsible for the sustainability work at [company name]?
- Is there a division between statutory sustainability goals and voluntary sustainability goals?
- What are the different categories of sustainability goals at [company name]?
- How is sustainability work prioritized at [company name]?
- Are there any particular work processes and guidelines set to guide sustainability work? If so, how are these developed?
- Are there any difficulties associated with following the guidelines, and what happens if they are not followed?

Measurement systems

- Are there any sustainability key measures on which your individual performance is followed up on?
- Do you know if sustainability performance is linked to the reward system at [company name] in general?
- What types of metrics does [company name] use to follow up on sustainability performance?
- What is your view on linking sustainability key measures to the company's financial performance?
- Are there any difficulties associated with setting up metrics for sustainability work?
- What does it mean for your reporting that you follow the TCFD recommendations (Task Force on Climate-related Financial Disclosures)

Other

- How do you perceive your degree of sustainability performance compared to that of competitors?

8.3. Interview Guide 2

When presented, this interview guide has been translated from Swedish to English.

Introductory

- What is your role at [company name] and what do you do in your daily work?
- Is sustainability an integrated part in the overall strategy at [company name]?
- How are you affected in your daily work by the company's sustainability work?
- What are the main reasons why [company name] works with sustainability issues?
- What is your attitude towards working with sustainability issues?
- Are there any contradictions between being sustainable and being profitable as a company?

Management control

- Is the sustainability mindset integrated into the organizational culture and if so, how?
- How is sustainability work communicated internally? How do you get information about it and from whom?
- What is the general level of motivation to work with these issues at [company name]?

Measurement systems

- What types of metrics does [company name] use to follow up on sustainability performance?
- What is your view on linking sustainability key measures to the company's financial performance?
- Are there any difficulties associated with setting up metrics for sustainability work?
- Is it important to be able to measure sustainability performance, and if so, why?
- How do you make a decision about how to act if you are faced with a choice of the path where one alternative is more sustainable, but the other is more profitable financially?