WHAT GETS MEASURED *GETS DONE*

Sustainability Reporting in Swedish Retail SMEs

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Bachelor Thesis

Stockholm School of Economics

2021

Abstract

Climate change is undoubtedly affecting the planet with sea ice melts, wildfires, and warmer temperatures. Science shows the need for keeping the global temperature at 1.5°C, which calls for a rapid societal and environmental transformation. The retailing industry accounts for a large part of the global greenhouse gas emissions and plays a critical role in the aim of reducing the industry's emissions. To measure its performance, progress and set targets, sustainability reporting plays a key role. The need for transparent retailers showing climate leadership and disclosing its numbers has never been greater. Through a qualitative method, the authors wish to investigate how Swedish retail small and medium-sized enterprises, SMEs, work with sustainability reporting and what the main barriers are. The thesis was conducted as a multiple-case study of seven Swedish retail SMEs. The data collection was made through primary data, interviews, and secondary data, including websites, annual reports and sustainability reports. The study results show a difference within the group of SMEs. Small-sized SMEs, compared to middle-sized SMEs, do not conduct sustainability reports, experience lower customer expectations, and are more affected by the barrier lack of legal requirements. The findings further demonstrated lack of financial, IT, human and knowledgeable resources to be the main barriers for retail SMEs and an organisational challenge of internal communication. Study results found a transparency value-action gap, and findings indicate how it increases by the case companies' perceived risk of greenwashing and decreases by their participation in a sustainability network. The thesis has shed light on the importance and role of sustainability reporting. Finally, the study contributes by increasing the knowledge of how retail SMEs work with sustainability reporting and its related challenges and barriers. This paper broadens the body of research by being both industry and location-specific.

Keywords

Sustainability, Sustainability Reporting, SMEs, Sustainable Retailing, Swedish SMEs, Barriers

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Acknowledgements

We would like to thank all of you who made the writing of this thesis possible. Thank you to all of the case companies who allowed us to conduct this study and contributed with essential insights and your time. We would like to express our gratitude to our supervisor Sara Melén, for supporting us during the thesis process with valuable advice, expertise and experience.

Lastly, a big thank you to all of you who have supported us throughout the thesis process and given us constructive feedback. Without you, this thesis would not have been possible.

Thanks,
Alva & Matilda

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Words	**Definitions**
CO_2 emissions	The emissions arising from the burning of fossil fuels and manufacturing of cement. CO_2 is one type of greenhouse gas (Eurostat, 2017).
Greenhouse gases	Greenhouse gases (GHG) is a group of gases contributing to global warming and climate change. Greenhouse gases include non-fluorinated gases (including carbon dioxide, CO_2, methane and nitrous oxide) and fluorinated gases (e.g. hydrofluorocarbons) (Eurostat, 2016).
Retailer	A company selling products and services to consumers for their personal or family use (Levy et al., 2019 p. 546).
Small and medium-sized enterprises	Small and medium-sized enterprises, SMEs, can be broken down into micro-enterprises (1-9), small-sized (10-49) and medium-sized (50-249). Altogether, an SME has between 1 and 249 employees and an annual turnover of maximum EUR 50 million or an annual balance sheet total of maximum EUR 43 million (EC, 2021).
Supply chain	A supply chain is a system of firms, people, activities, information, and resources involved in making and delivering a product or service to the ultimate consumer (Kozlenkova et al., 2015).
Sustainability	In this thesis, sustainability is defined as what “meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland, 1987). The triple bottom line, commonly discussed in sustainability contexts, consists of the three main pillars; People, Planet and Profit. People include the impact an organisation has on its most important stakeholders. Planet describes the impact an organisation has on its natural environment. Profit includes the

	impact an organisation has on the local, national and international economies (Forbes, 2019).
Sustainability reporting (SR)	Sustainability reporting and accounting involve reporting on firms' environmental, social and economic performance (Hertzig & Schaltegger, 2011). A sustainability report is a tool for a business to communicate its sustainability performance to its stakeholders (Ziek, 2009).

1. Introduction

1.1 The importance of measuring sustainability

Serious sustainability challenges are seen globally where human actions threaten the biosphere foundation for a wealthy development of civilisations (Folke et al., 2021). Climate change has an increasingly negative effect on the planet, affecting people on all of planet earth's continents. In order to reduce these severe risks of climate change, strong encouragement is to limit the global temperature to a maximum of 1.5°C (Falk et al., 2020). The Carbon Law is a proposed solution for the global economy of rapid carbon emission reduction. It states that fossil-fuel emissions should have peaked by 2020, halve every decade and fall to around zero by 2030, to meet the UN Paris Agreement's climate goal (Rockström et al., 2017). Halving of the GHG emissions each decade is needed to maintain the global temperature at 1.5°C, in order to reach net-zero emissions by 2050 (Falk et al., 2020). Companies worldwide have implemented sustainability reporting as a tool to reduce GHG emissions and capture the impact of their operations on sustainable development to reduce the risks of climate change (ElAlfy & Weber, 2019).

The latest sustainability survey by Svensk Handel (2019), describes the current situation in Sweden regarding retailers' sustainability performance and customer expectations. It is evident that the focus on sustainability issues among Swedish retailers has increased in recent years and that customer expectations on companies' sustainability performance have increased. The years 2017-2019 have shown a significant increase in how important consumers think sustainability is when purchasing products. Furthermore, contributing to a better society is a critical competitive factor for retailers. In 2019, eight out of ten Swedish companies worked actively with sustainability. On the contrary, the companies not working actively with sustainability are found within the fashion, book & paper and furniture industry. One explanation is that these industries have a large proportion of small-sized companies with limited resources (Svensk Handel, 2019). Small-sized companies often lack resources, time and knowledge. Despite the limitations, are the retail SMEs improving their sustainability work. For example, among companies with 1-10 employees, the share of companies working actively with sustainability issues increased from 56% in 2015 to 72% in 2019 (Svensk Handel, 2019), showing how sustainability has become an important topic for the retail sector in Sweden.

1.2 Sustainability reporting

Stakeholder and consumer expectations on companies' sustainability work and reporting are constantly increasing. As a result, many companies are beginning to prioritise the triple bottom line and sustainability reporting (Bhattacharya & Sen, 2004). Over the past decade, a substantial increase in environmental reporting has been seen. Sustainability reporting has historically worked as a tool to help companies improve corporate sustainability and measure targets and improvements (ElAlfy & Weber, 2019). Measuring sustainability performance is critical to obtain legitimacy and brand a firm as responsible, but also to set goals to improve performance (Lerpold et al., 2019). Moreover, sustainability reporting enables companies to communicate their business performance (ElAlfy & Weber, 2019). Transparency in sustainability transformation is crucial as it helps customers, investors and other stakeholders to make conscious decisions and contribute to limiting climate change. Lack of sustainability reporting may implicate a risk investing in a company since it makes it impossible to assess the company's sustainability performance. Besides, companies may risk not seeing the financial risks and possibilities of climate issues (Ekelund et al., 2020).

Sustainability reporting is a critical issue that increasingly is being prioritised by retailers. Retailers play a vital role in the circular economy with their unique position in the supply chain between suppliers and end consumers (Vadakkepatt et al., 2021). The retailing industry accounts for a large part of the global GHG emissions, and they play a critical role in reducing the industry's emissions. Specifically, the food and fashion industry have significant environmental impacts. In 2015, the food sector accounted for a third of the global GHG emissions. Major parts of the food sector's emissions are caused by supply chain activities: retail, transport, waste management, industrial processes and packaging (Crippa et al., 2021). Additionally, the fashion industry is responsible for 10% of global GHG emissions and faces increasing global scrutiny of their environmental pollution (Niinimäki et al., 2020). To commit to the 1.5°C ambition, all companies across industries, including retailers, must show climate leadership and disclose the companies' carbon emissions (Falk et al., 2020).
Supply chain emissions are particularly high for retailers, showing the relevance for accounting for these numbers (Chang et al., 2018).

1.3 Legal sustainability requirement

In October 2014, a new directive on sustainable reporting was introduced by the European Union, which lays down the rule that large businesses (> 500 employees) within the union should establish a sustainability report for the public Directive 2014/95/EU (EC, 2021). EU directives are legal acts that set out a goal that all EU countries must achieve, however, the individual EU countries will set up their own laws on how to reach this EU directive (EU, 2021). The EU Directive 2014/95/EU further encourages companies to apply an established framework for sustainability reporting, including the guidelines from the Global Reporting Initiative (EC, 2021). The EU Directive and new regulation for large businesses was implemented in Sweden in December 2016, through amendments to the Annual Reports Act (1995:1554). The reporting requirement aims to make information about how companies work with sustainability issues more open and transparent (Tillväxtanalys, 2018). According to the EU Directive, SMEs are not obligated to report and do not have the same legal requirements as large firms to perform sustainability reporting.

1.4 Previous research and research gap

As for sustainability overall, the studies and research conducted on SMEs and sustainable business practices have been narrow and limited (Aghelie, 2017). Research discussing CSR, reporting, and related concepts have mainly focused on large firms (Kolk, 2003; Jansson et al., 2017) and large retail firms (Frostenson et al., 2013), sometimes overlooking SMEs. This shows a need for additional research on sustainability reporting from the perspective of SMEs. More specifically, literature on drivers and barriers to sustainability among companies mainly focuses on larger organisations (Aghelie, 2017; Giunipero et al., 2012). However, research shows how barriers to approaching sustainability differ when comparing SMEs and large firms (Aghelie, 2017), revealing a literature gap and a need for further research on sustainability barriers for SMEs.

Additionally, the found literature on sustainability reporting among SMEs has had a non-industry specification (Medel et al., 2011; Shields et al., 2017). Due to the many challenges distinguishing the retail industry (Vadakkepatt et al, 2021), it shows the need to dig deeper into sustainability reporting specifically for SMEs within the retail industry. Moreover, research shows that studies of barriers are not relevant if they are not industry or location-specific. Consequently, research investigating SME barriers in groups of industry sectors and locations is needed (Bakos et al., 2020). It has been taken into account in this thesis as it is both location, industry and size-specific, focusing on Swedish retail SMEs.

1.5 Purpose and research question

The purpose of this study is to enhance the understanding of how retail SMEs in Sweden work with sustainability reporting and what their main barriers are, through a qualitative multiple-case study. The study aims to shed light on the importance of sustainability reporting. Furthermore, the research intends to enhance the understanding of opportunities and challenges faced by retail SMEs when conducting sustainability reporting, increasing the shared knowledge and addressing the identified research gap.

Research question

How do Swedish retail SMEs work with sustainability reporting, and what are the main barriers?

1.6 Scope and delimitations

Investigating the sustainability progress among SMEs, the authors have narrowed the scope to studying sustainability reporting among Swedish retail SMEs due to the limited research in this field. SMEs do not fall under the same requirements as large businesses to perform sustainability reporting (EC, 2021), which motivates the relevance of the SME segment in a sustainability reporting context. Moreover, the study is limited to SMEs according to the number criteria of employees ranging from 1 to 249 (EC, 2021). Secondly, SMEs are relevant to study because they comprise more than 99% of all businesses in the European Union (EC, 2021). SMEs provide at least 50% of all employment worldwide (Shields et al., 2017). Another reason to study SMEs is that according to the European Commission, they could be responsible for up to 70% of all industrial pollution in the EU (EC, 2007).

The study is limited to retail SMEs since retailers have a unique position in the supply chain, enabling a circular economy. Retailers are positioned between upstream suppliers and downstream consumers and have the possibility of bringing back products at end-of-life to the supply chain (Vadakkepatt et al., 2021). Their unique position motivates the relevance of retailing for a study within the sustainability field. However, the scope has not been limited to any specific retail segment since sustainability issues are a common and global challenge, and the entire business sector is needed to halve emissions by 2030 (Falk et al., 2020). Furthermore, due to the broadness of sustainability and the three pillars of the triple bottom line, the thesis has limited its scope to the Planet pillar of sustainability. The planet pillar describes the impact an organisation has on its natural environment (Forbes, 2019). Lastly, the authors focused on Swedish firms since it is a segment experiencing rapid sustainability change and being in the forefront of corporate sustainability. Sweden was ranked first in the Global Sustainability Index in 2020 (Mulhern, 2020).

1.7 Intended research contribution

The thesis intends to contribute with insights on how Swedish retail SMEs work with sustainability reporting and the main barriers they experience. The study's intended contribution is to increase the knowledge about sustainability reporting among SMEs from a Swedish retail perspective. The authors further aim to broaden the scope of the existing literature, mainly focusing on non-industry specific SMEs (Medel et al., 2011; Shields et al., 2017), having a large firm focus (Kolk, 2003; Jansson et al., 2017) and large retailer focus (Frostenson et al., 2013), neglecting retail SMEs. Moreover, the thesis aims to contribute to the body of literature on barriers towards sustainability reporting having an industry and location-specific focus (Bakos et al., 2020). From a practitioner perspective, the results may help retail SMEs identify the most significant sustainability reporting barriers, making it easier to navigate the identified barriers and improve the reporting.

2. Literature review

The following section presents the conducted literature review. Firstly, through industry reports, sustainability network websites and literature covering reporting frameworks and networks. Secondly, a literature review has been carried out. When conducting this review, the authors started searching broadly for research on sustainability reporting and barriers and, after that, narrowing the research scope into SME’s sustainability reporting and barriers. The authors further narrowed the search to seek literature on retail sustainability reporting and barriers, and lastly retail SMEs. For a table of the literature review, see Appendix 8.2.

2.1 Reporting frameworks

In this thesis, a sustainability reporting framework is defined as a standardised reporting tool for sustainability performance (GRI, 2021; Greenhouse Gas Protocol, 2021). The following frameworks have been chosen to discuss since they are widely used international frameworks for sustainability reporting.

Greenhouse Gas Protocol

The Greenhouse Gas (GHG) Protocol is the world's most used framework for measuring and managing GHG emissions, and its initiators include the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). The first edition of the Corporate Standard was published in 2001. Moreover, the GHG Protocol offers exhaustive global greenhouse gas accounting standards both within the private and public sector's operations, mitigation actions and value chains. The framework is used globally, and in 2016 did 92% of the Fortune 500 companies responding to CDP use the GHG Protocol (Greenhouse Gas Protocol, 2021).

Global Reporting Initiative Standards

The GRI Sustainability Reporting Standards are global standards for sustainability reporting, provided by the Global Reporting Initiative (GRI, 2021). The GRI Sustainability Reporting Standards aim to help both small and large companies to understand and communicate their impact on vital sustainability issues, including climate change, human rights, governance, and social well-being (Stephens & Thieme, 2020). GRI provides the world's most used standards for sustainability reporting (GRI, 2021), and the first version of GRI's sustainability reporting was launched in 2000, representing the first global framework for comprehensive sustainability reporting (Stephens & Thieme, 2020).

Both the GRI and GHG frameworks are widely used together by companies internationally. Companies using the GRI guidelines should include information on GHG emissions according to the GHG Protocol Corporate Standard (GRI, 2002).

2.2 Existing sustainability networks

Sustainability networks are defined as meeting platforms enabling an exchange of sustainability information and gathering its members through networks and organisations (B

Lab, 2021; STICA, 2021). The following networks have been chosen to discuss due to their international presence and retail focus.

Certified B Corporation

Certified B Corporation (B Corp) aims to transform the global economy to benefit all people, communities, and the planet. B Corp is a community of leaders focusing on economic system change and helps set sustainability standards, policies and tools for businesses to use (B Lab, 2021). B Corp provides a sustainability reporting framework and a series of questions organisations are obliged to answer concerning their impact on workers, community, environment, and governance (Shields et al., 2017). A Certified B Corp is an organisation that 1) meets the standards of verified environmental and social performances, 2) meets transparency conditions and 3) considers all stakeholders. Today the B Corp network consists of over 100 000 companies in 150 industries and exists in 70 countries (B Lab, 2021).

The Swedish Textile Initiative for Climate Action

To achieve Sweden's net-zero goal by 2045, leading Swedish actors in the fashion industry launched Swedish Textile Initiative for Climate Action (STICA). STICA is an environmental network where Swedish fashion actors unite to create conditions for reducing the climate impact that is related to textiles. The initiative helps both Swedish and international businesses create realistic, time-bound plans for reducing GHG emissions and regularly report on the progress. The sustainability network also supports firms to set science-based targets to reduce GHG emissions in line with the 1.5 C warming pathway, as defined by the UNs Framework on Climate Change and the Paris Agreement (STICA, 2021).

Sustainable Apparel Coalition

The Sustainable Apparel Coalition (SAC) is an international alliance for apparel, footwear, and textile working together for sustainable production. SAC is the developer of the HIGG Index, tools standardising value chain sustainability measurement, measuring environmental and social labour impacts across the value chain (Sustainable Apparel Coalition, 2021).

2.3 Literature themes

This section presents the literature review under five different themes found to be recurrent and essential from a SME and retail perspective and important to explore further. See

Appendix 8.2 for a table of the literature review. The literature themes help build the framework for analysing the research question. The following themes have been identified as particularly interesting and relevant; *Role of Sustainability Reporting*, *Transparency*, *Customer expectations*, *Barriers*, and *Sustainability networks.*

2.3.1 Role of sustainability reporting

An increasing number of companies worldwide has implemented sustainability reporting to capture the impact of their operations on sustainable development and as a way to measure targets and improvements (ElAlfy & Weber, 2019). Various companies have differentiated images of the role of sustainability reporting (Frostenson et al., 2013). From one point of view, implementing a sustainability report helps retailers measure their current performance, measure progress over time, and compare their performance with industry standards or reference targets (AlWaer, 2008). Assessing sustainability may also support efficient and long-lasting decision-making for retailers (Youn, 2017). From another perspective, sustainability reporting is not only a tool to communicate business performance to stakeholders but also a tool to reduce GHG emissions and the risks of climate change (ElAlfy & Weber, 2019). Literature shows how sustainability reporting can have three different roles: a sustainability engine, a follow-up document, and a branding tool. The follow-up document aspect focuses on how a sustainability report summarises all the business' sustainability activities (Frostenson et al., 2013). It pinpoints the importance of the literature theme *Role of sustainability reporting*, as it is connected to how companies work with sustainability reporting and the first part of the thesis' research question.

2.3.2 Transparency

Being transparent about the company's sustainability activities is seen as something of high importance among stakeholders, including suppliers, customers, shareholders and employees (Medel et al., 2011). However, consumers' lack of awareness about CSR initiatives is a major limiting factor in their ability to respond to these initiatives. It is therefore crucial for businesses to work with transparency and increase awareness levels. Although, it is important to keep in mind that communicating CSR can be difficult since consumers prefer to hear the facts. Consequently, attempts to "sell" CSR may have the opposite effect (Bhattacharya & Sen, 2004). The increase in corporate social responsibility (CSR) communication has a confusing effect on consumers making it difficult for them to identify truly responsible firms. The confusion encourages greenwashing and can make CSR initiatives less effective (Parguel et al., 2011). Additionally, the CSR approach facilitates the proliferation of greenwashing. As a result, the authors suggest voluntary and mandatory aspects, including increased legislation to prevent greenwashing and minimising companies overstretching their CSR messages (Gatti et al., 2019).

Transparency can also be looked upon from a value chain perspective, where more transparency in value chains both gives higher sustainability within the chains and strengthens consumers and civil society (Mol, 2015). Being transparent and communicating the firm's sustainability work is followed by potential benefits (Medel et al., 2011; Mol, 2015) as well as the risk of greenwashing (Bhattacharya & Sen, 2004; Parguel et al., 2011; Gatti et al., 2019). In this thesis, transparency is looked upon as disclosing environmental information, potentially impacting sustainability performance positively (Mol, 2015).

2.3.3 Customer expectations

One important stakeholder group that is becoming increasingly interested in businesses sustainability performance are consumers. There is a positive relationship between a company's sustainability focus and consumers' reactions to that company and its offerings. Business ethical behaviour is seen to play a significant role in a consumer's purchase decision. The question about CSR is no longer "whether" it is important, but instead "how" to do it? In response, companies understand the relevance of measuring the outcomes of CSR work and adopt sustainability reporting practices to a greater extent (Bhattacharya & Sen, 2004). Consumers do not only expect ethical and sustainable firm behaviour, they are also willing to reward this positive behaviour by paying higher prices for the firm's offer (Creyer, 1997). The trend is corroborated by statistics, revealing that 84% of Americans are willing to switch brands to one associated with sustainability or a good cause. The increasing academic literature in this field states a positive relationship between a company's CSR performance on product categories, consumers' company preferences and purchase intentions (Bhattacharya & Sen, 2004). Moreover, since a better understanding of customers is essential for retailers, potentially enhancing customer satisfaction and retail performance (Puccinelli et al., 2009), the customer perspective should be prioritised. Another critical area among retailers, include customer loyalty. The research by Noh & Johnson (2019) has studied the impact of apparel brands' sustainability efforts on consumers' brand loyalty. Their study results imply how consumers' perception of an apparel brand's sustainability efforts positively influenced customer's perception of belongingness to the brand and brand loyalty, showing the importance of sustainability from a customer perspective.

2.3.4 Barriers

Since SMEs play an important role in global economic growth, it is essential to study and find their challenges towards sustainability practices. The barriers SMEs experience in their sustainability work are unique and differ from large companies due to limitations of technical speciality, experience, and financial resources. Barriers can prohibit and challenge SMEs when implementing sustainability reporting and practices (Aghelie, 2017). Barriers can be both internal and external to organisations. In the study by Bakos et al. (2020), considerable internal barriers SMEs face are lack of resources, time, and expertise. The largest external barriers found are lack of government regulation and support. Increased government regulations and monitoring could encourage and motivate SMEs to perform better in this area (Bakos et al., 2020).

Sustainability reporting involves gathering information, assessing current performance, and finding areas where the company can improve sustainability performance. However, given the lack of resources and education in SMEs, this can seem like a tremendous task. Micro-enterprises face scarce resources and challenges when starting with sustainability reporting. Despite its significance, there is little guidance for SME managers on how to begin working with sustainability (Shields et al., 2017). Another perspective of SME's barriers to sustainability performance is highlighted in Arena & Azzone (2012). It is stated that SME's sensitivity to potential advantages of sustainability work is low, and the company managers tend to be resistant to voluntarily improving their sustainability performance. Moreover, another relevant concept preventing sustainability work is the value-action gap. The value-action gap emerges when an individual's values do not correlate to the individual's actions. The gap is commonly seen in environmental contexts (Blake, 1999).

2.3.5 Sustainability networks

In complex networks and value chains, information sharing is vital for improving sustainability (Wognum et al., 2010). As shown by Rossignoli & Lionzo (2018), network participation can promote new dependence patterns that evolve over time, and the mutual dependency among companies in the network may gradually increase binding them together, consequently resulting in companies having to follow the evolution of the network.

Specifically for retailers, more companies start to disclose information on their suppliers to increase transparency within their value chains (Kozlowski et al., 2015). A study looking into retailers and apparel brands part of the Sustainable Apparel Coalition (SCA) found that half of the brands shared their supplier lists to increase transparency. Another critical perspective of sustainability networks is formalising sustainability guidelines within the groups. The sustainability reporting among the investigated companies within the Sustainable Apparel Coalition varied greatly despite being part of the same industry (Kozlowski et al., 2015), showing the need to investigate sustainability reporting for retailers in a sustainability network perspective further.

2.3.6 Five identified literature themes

The role of sustainability reporting is important to study since it helps companies measure targets and progress (ElAlfy & Weber, 2019), compare their performance and targets (AlWaer, 2008), and can support retailers in making long-term decisions (Youn, 2017). However, companies' perception of the role of sustainability reporting varies and can have three different roles (Frostenson et al., 2013), motivating why the role of sustainability reporting needs further focus rather than only its benefits. Moreover, the importance of *transparency* has increased lately among stakeholders (Medel et al., 2011) and is seen as beneficial from a value chain perspective (Mol, 2015). Lack of transparency is seen to limit CSR communication including sustainability reporting (Bhattacharya & Sen, 2004; Parguel et al., 2011), motivating the choice of studying transparency from a sustainability reporting perspective. Sustainability reporting is important to study with the perspective of *customer expectations* since customer expectations on businesses' sustainability performance has been increasing (Bhattacharya & Sen, 2004), and research shows how customers have a higher willingness to reward sustainable behavior (Creyer, 1997). Since understanding customer behavior and expectations is a core activity among retailers, it motivates the relevance for studying this as a literature theme (Puccinelli et al., 2009). *Barriers* are chosen as a literature theme in this study since they play an important role prohibiting and challenging SMEs when implementing sustainability reporting and practices (Aghelie, 2017). When conducting a study on sustainability reporting in retail SMEs it is relevant to understand and study further what barriers they face in their work in order to understand how they can make improvements. Firms engagements in *sustainability networks* is another topic that is recurrent in theory, and chosen as a literature theme due to the fact that networks and information sharing can have a positive impact on sustainability practices (Wognum et al., 2010). It is also important in formalising sustainability guidelines of for example reporting (Kozlowski et al., 2015). It shows the close connection between sustainability networks and sustainability reporting, highlighting its relevance.

In this literature review, the framework for analysing the cases has been built, see Figure 1. It consists of the practical aspect: *Reporting frameworks,* and the five major literature themes: *Role of sustainability reporting, Transparency, Customer expectations, Barriers* and *Sustainability networks.* These themes were found recurrent and important in the literature review from an SME and retail perspective and chosen to study further. This framework is used to analyse and answer the research question: *How do Swedish retail SMEs work with sustainability reporting, and what are the main barriers?*

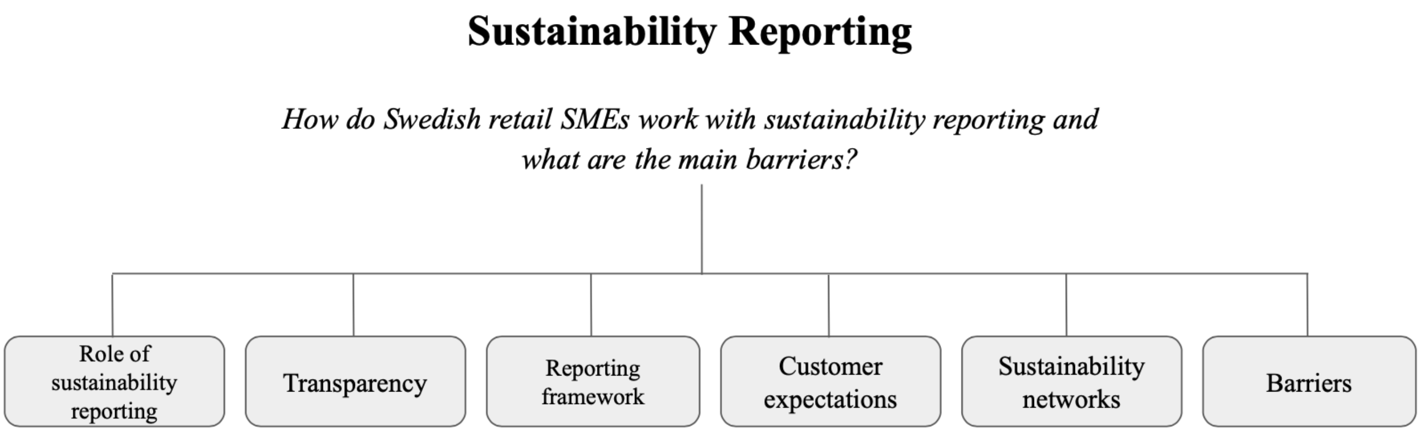

Figure 1. Framework for analysing the research question

3. Research method and methodology

3.1 Qualitative approach

A qualitative, multiple-case study approach was chosen to study sustainability reporting among Swedish retail SMEs. A qualitative research method is suitable for the aim of this thesis since qualitative research methods allow for an open-ended process and enable us to develop specific insights. Qualitative research is recommended when addressing "how" and "why" questions (Yin, 2003), in line with our research question, namely starting with "how". When performing qualitative research, most of the decisions, reflections and idea generation occur simultaneously as gathering the data. The data can come in different forms, commonly spoken words in interviews, but it can also be actions, sounds or visual images (Neuman, 2014 p.10). As the data collection method, interviews were chosen based on how interviews result in in-depth information from respondents, generate a strong level of detail, and facilitate probing (Bryman & Bell, 2017 p.471). Interviews were conducted with seven different case companies.

Nevertheless, when adopting qualitative research, it is relevant to consider the challenges and limitations of the chosen method. A qualitative method is criticised for being subjective and hard to generalise results (Bryman & Bell, 2017 p.393). A qualitative method is argued to be less transparent regarding how the research is planned, followed through and analysed. However, the criticism has been taken into account when conducting the thesis. The authors have aimed towards limiting bias and increasing transparency in our process. Firstly, both authors were present in the data collection and during the interviews as a way to mitigate bias (Eisenhardt & Graebner, 2007). Secondly, data were gathered through both primary and secondary sources to help validate the information and generate a more complete understanding (Ghauri & Grønhaug, 2010). Furthermore, to increase transparency and dependability, the authors have done the utmost to be open and clear with the presentation of decisions and reassessments. When aiming for transparency, the authors also increased the potential for future replication by explaining the assumptions and decisions made by the authors (Bryman & Bell, 2017 p.378).

3.2 Case study research

3.2.1 Case study method

The thesis is based on both primary data, multiple-case interviews, and secondary data gathered from annual reports, sustainability reports, and websites with the interviewed case companies. The authors found a qualitative case study method suitable as it enables a deep and more detailed understanding of the cases (Bryman & Bell, 2017 p.378). Case study methods may be recognised among the array of qualitative research choices. A case study method is preferred based on three grounds which all are in line with the thesis. Firstly, "how" and "why" questions are being addressed. Secondly, the investigator has little control over events, and they cannot be manipulated. Thirdly, the focus is on a contemporary phenomenon within a real-life context (Yin, 2009). With the purpose of diminishing the risk of embellished information, the case data collection involved seven interviews with knowledgeable professionals within sustainability at the different case companies. The sustainability professionals are relevant to interview because they have responsibility for the sustainability reporting and performance at the different firms. Moreover, the data collection and communication towards the case companies were anonymous both pre and post the interviews. In compliance with GDPR regulations, the interview recordings were stored in SSE controlled cloud solutions and deleted as soon as the interview analysis was finished. Additionally, the interview participants were informed not to share any sensitive personal data, and the data was anonymised both in the data collection and during the writing process.

3.2.2 Multiple-case study method

Multiple-case designs have increased in frequency in recent years (Yin, 2009). A multiple-case study approach is adopted as it is proven to provide a strong base for theory building. When the theory is based on multiple cases, as for this study, it is better grounded, more accurate and more generalisable (Eisenhardt & Graebner, 2007). Moreover, this method often presents evidence considered more compelling, and overall, the study is considered more robust (Yin, 2009). Additionally, multiple-case studies enable comparison that clarifies whether a finding appears in only one case or is consistent over several cases helping investigative and compare sustainability reporting performance and barriers among Swedish retail SMEs (Eisenhardt & Graebner, 2007).

Case studies have faced criticism in various areas. Firstly, there are critiques over the lack of rigour of case study research, where case studies sometimes do not follow systematic procedures. Secondly, bias is a common critique, which can influence the study's direction and conclusions (Yin, 2009). The challenge of bias is not different from other research methods, however, it is frequently encountered and less frequently overcome in case study research. Thirdly, the difficulty in generalisation from only one single case is criticised (Siggelkow, 2007). To address this challenge, a multiple-case study approach with several companies is chosen (Yin, 2009).

3.3 Primary data collection

The interviews have been conducted with Swedish SMEs within retailing. All of the selected case companies had to fulfill the following two criteria; a) be a Swedish retailer; a business selling products and services to consumers for their personal or family use (Levy et al., 2019 p.546) b) be a SME (EC, 2021). The companies interviewed represented different parts of the retailing industry. The companies were chosen from Allabolag's company list of retailers (Allabolag, 2021), and a randomised selection of companies were picked (in total, 100 companies). 49 of the companies fulfilled both criteria, a) and b), and standardised emails were sent to company representatives at these companies. Seven of the companies agreed to participate in the study, and interviews with the companies were conducted. The outcome was two food retailers, four fashion retailers and one beauty retailer. See a full list of the case companies and relevant information in Table 1. The choice of company representatives to contact at the different firms were chosen based on the order of priority below. To maintain confidentiality, the names of company representatives as well as the companies were changed. Semi-structured interviews were conducted with key employees at the different case companies. The length of the interviews ranged from 28-35 minutes and took place through the online meeting platform Teams.

1. Sustainability Manager
2. CEO, CFO, COO
3. Supply Chain Manager, Co-founder, Buyer
4. Business Development
5. Accountant

Case companies	Type of retailer	Year founded	No. of employees	Turnover (mkr)*	No. of Interviews	Interview Occasion	Employee interviewed
A	Food	2007	Small, < 50	1-50	1	February 26th, 2021 (32 min)	CEO
B	Fashion	2006	Small, < 50	1-50	1	March 1st , 2021 (29 min)	Co-founder & Creative Director
C	Beauty	1991	Medium- sized < 250	100-150	1	March 3rd , 2021 (35 min)	Sustainability & Supply Chain Manager
D	Food	2004	Medium-sized < 250	200-250	2	March 17th , 2021 (29 min) April 1st , 2021(32 min)	Buyer, Sustainability Manager
E	Fashion	1951	Medium-sized < 250	350-400	1	March 17th , 2021 (28 min)	CFO
F	Fashion	1991	Small, < 50	150-200	1	March 17th, , 2021 (31 min)	Buyer & Sustainability Manager
G	Fashion	1986	Medium-sized < 250	100-150	1	April 16th , 2021 (28 min)	Sustainability & Quality Manager

Table 1. The studied SMEs.
** The firm's turnover is presented in ranges of 50 mkr, e.g. 1-50, 50-100, to ensure anonymity.*

The interviews were analysed through cross-case comparison, enabling data analysis from various perspectives, which counteracts information-processing biases (Eisenhardt, 1989). Essential literature themes were then identified based on the literature review, and these literature themes were used as dimensions in the cross-case comparisons. The cross-case comparisons were conducted through tables, displaying each case to analyse similarities and differences between the companies (Yin, 2003).

A common critique with interview data collection is bias, which is best overcome by data collection approaches limiting bias. An essential approach is using multiple people who participate in the interviews from diverse perspectives (Eisenhardt & Graebner, 2007). When conducting the company interviews, both authors have participated to limit the collection bias. After asking the companies for consent, the interviews were recorded and transcribed to improve accuracy further.

3.4 Secondary data collection

To complement and validate the primary data sources, secondary data was used, making sure the study relies on more than one source. The primary data sources consist of the conducted case interviews. The secondary data sources include the annual reports, sustainability reports and company websites, see Table 2. In case study research, archival data is an important but commonly overlooked source. Using archival data provides longitudinal data and improves the reliability and validity of the results (Welch, 2000). The aim of using secondary data is to validate what has been described in the interviews and broaden the perspective and contribute with additional information about the company.

Case companies	***AR****	***SR*****	***Website Pages Used***
A	2019	N/A	About us
B	2019	N/A	About us, News, Recycle It
C	2019	2019	About us, Sustainability
D	2019	2019	About us, Our history, The assortment
E	2019	2018	About us, Packaging, Eco Products, We Care
F	2019	N/A	About us, Sustainability
G	2019	2019	Corporate Responsibility

Table 2. Summary of archival data

* Annual reports

** Sustainability reports

4. Empirical findings

4.1 Presentation of empirical data

The data collection of primary and secondary sources will be presented in the following section. Firstly, the primary data is presented in a cross-case analysis, aiming to give a clear and easy overview of the information collected in the different case interviews, see Table 3. Secondly, the results will be compared and contrasted in more detail using the secondary data to broaden and validate the results. In the data presentation, the case companies are anonymous and referred to as company A, B and C etc. When presenting the secondary data and exact formulations extracted from companies' websites or sustainability reports, words have been rearranged and synonyms used to maintain anonymousness. However, the authors have aimed for sustaining the meaning and the core message.

	Company A	Company B	Company C	Company D	Company E	Company F	Company G
Public SR*?	No	No	Yes	Yes	Yes	No	Yes
Sustainability reporting frameworks	No	No	GHG-Protocol.	GRI, working on implementing the GHG-Protocol.	GRI, GHG-Protocol.	Working on implementing the GHG-Protocol.	GRI, GHG-Protocol
Role of SR	SR is important. Numbers help gain insights on the resource-intensive parts of the supply chain. The importance of SR will grow onwards.	Important to measure progress and set targets. Facilitate sustainability work both internally and externally, e.g. when measuring the share of recycled material in their packaging. SR will be even more important in the future.	SR is important long-term. Sustainability is experienced as abstract among employees, sustainability KPIs could be a way to address that.	SR helps set internal goals and communicate sustainability progress towards customers. SR leads to growth and profitability and is important in the future. Difficult to track a company's performance and improve without reporting.	Relevance of SR is increasing and recalls a change in the narrative. Previously, SR was seen as time-consuming and challenging to apply, but not anymore.	SR is important now and onwards. Helps measure performance and progress. Can make sustainability more tangible and increase the understanding among employees and customers.	SR is the foundation for the entire business strategy. Helps follow up on sustainability work and measure progress. Helps employees internally grasp the businesses' actual sustainability work.
Transparency	Is important. Sustainability communication is vital to show responsibility. Has a low level of transparency but has a vision for more transparent communication onwards.	Is important from a customer, supply chain and internal perspective. The company has a low degree of SR transparency, due to a fear of greenwashing. They communicate only when they are entirely sure the information is accurate.	Prioritise a high level of transparency which is also a central part of the company's B Corp work. To succeed, companies should be transparent both internally and externally.	A critical priority to show company performance. Is careful due to the risk of greenwashing. Companies are becoming more open for learning and information sharing. Communication makes customers loyal, trustful, and prioritise the company long-term.	Recognises the importance of transparency and works on increasing transparency. Measures sustainability KPIs for a SR 2022. Thinks that being transparent towards customers is essential for sustainability.	Low transparency now which is a priority for the company. Sees the value of being transparent in the supply chains and to stay competitive. Experiences increasing demand from external stakeholders.	Is vital, has as a high level of transparency. Finds it challenging to communicate sustainability messages to customers in an understandable way so customers learn from it.
Customer expectations	Experiences moderate expectations from customers on their sustainability work, but predict an increased demand onwards. They need to level up to meet different customer expectations.	Experiences high customer expectations on SR. Expectations have increased. Customers expect an increased share of recycled material in their products, fewer plastics and paper in the packaging and a responsible supply chain. A constant threat is not meeting customer expectations.	Customers are knowledgeable about sustainability, hence high expectations on SR. Gives customers concrete and straightforward sustainability information. Even interested customers, do not take the time to read the company's SR.	Customers are more interested in the company's SR and demand improved performance, plant-based food, fewer plastic items and less food waste. Customer expectations are high, and the younger generations are selective in their company choice. SR can increase customer loyalty.	Customer expectations on SR and work are high. Customers do not take the time to read all information on the company's work. Believes customers choose the company and product based on the one appearing as most sustainable i.e communication is vital.	Customers expectations on SR and work is moderate. Some customers have low knowledge and consequently low expectations. Works actively to educate the customers about the importance of sustainability.	Experiences high expectations that are increasing on sustainability issues and SR. However, low customer knowledge. Customers believe sustainability is important but do not care about details.

Barriers	Lack of financial and knowledgeable resources. The small size is a limitation making it difficult to start measuring KPIs, e.g. small plastic batches. Need for a clear legal requirement on what and how to start reporting the emissions.	Lack of financial resources, preventing SR. Challenge of introducing new sustainability projects since the company wants its time and focus to be equally devoted to different projects. Clarifies how their primary focus has been on sustainability work itself and not until several initiatives will be up and running, they will start measuring climate impact.	Lack of human resources, knowledge, and experience. A CSR manager at a small firm is not comparable with one at a large firm in terms of focus on only CSR. Challenging to get employees to understand the meaning and importance of sustainability work. Difficult to influence actors upstream when not owning production facilities.	Lack of human & IT resources; and knowledge. Physical and technical distance to the company's international suppliers. Difficult to track performance along the supply chain when being a SME, especially when suppliers are in developing countries. A barrier to get all people onboard, understanding the importance of SR and performance. Lack of a sustainability tool to facilitate sustainability work.	Lack of human, ITa and knowledgeable resources. Emphasises the need for a legal requirement to understand the relevance of SR and get more external pressure to start reporting earlier.	Lack of human resources. Working alone is hard. Having difficulties influencing both the management team, buyers, etc. Hard to follow the progress and see that the sustainability work is making progress.	Lack of financial, human, knowledgeable and IT resources. High barriers formalising processes for reporting for the first report. Feels alone in the role as sustainability manager. Difficulty communicating internally, getting everyone in the company involved. To address this, employees have their own sustainability agenda and goals.
Sustainability networks	Does not use any sustainability frameworks at the moment, nor is part of any sustainability network.	Is seen as valuable and useful, facilitating information sharing and partnerships. Not part of any network at present. They are positive about joining a relevant sustainability network and think the number of sustainability networks working to increase transparency will grow onwards.	Part of B Corp since 2018. Becoming a certified B-corp was a long process, eight months, the company had to review all its processes from a sustainability perspective which generated many insights for the company. The sustainability network has guided the company and increased its transparency.	Does not participate in any sustainability forum/ network at the moment but could join networks onwards. Thinks that everyone likes to share information on SR in theory. However, many companies are restrictive with what they share and they rather listen to how others are doing than share too much of their work.	Not part of any network at present. Great advantages of joining forces with other businesses in the same industry, e.g. working to shift to renewable energy in their factories in the Asian region. Believes that no formal sustainability network is needed for this to happen. It will happen naturally when the world opens up more post the pandemic.	Part of several sustainability networks including STICA, a great network giving access to valuable tools for SR and the GHG protocol. Is positive towards sustainability networks, enabling companies to communicate, learn from each other, and standardise measurements.	Part of sustainability networks; STICA, BSCI, FTA, SFA and SAC. One of the Co-founders of STICA. The challenge with networks is that companies are so different (size, processes, products, supply chains), and it's hard to find a way suitable for everyone. Companies are stronger together, e.g. push policy to change.

Table 3. Cross-case analysis of companies A-G

*Sustainability Reporting

4.2 Case findings

Four out of seven companies publish public sustainability reports. The three companies not disclosing public sustainability reports are small-sized SMEs, while the four companies disclosing sustainability reports are medium-sized SMEs. Five case companies use sustainability reporting frameworks today, specifically the GRI and the GHG Protocol.

4.2.1 The role of sustainability reporting

Company B, D, F & G emphasise that sustainability reporting makes it easier to understand the work internally for employees, externally for customers and stakeholders, and measure progress and set targets. For example, the reporting helps company B internally when measuring the share of recycled material in their packaging. *"Is 100 % of our packing recycled or only 80 %? We need numbers to follow up on this"*, says the Co-founder at company B. The firm further elaborates how it enhances the firm's objectivity, *"It is extremely important to measure, instead of just following your gut feeling"*. Other benefits of sustainability reporting include trust and loyalty, as the Sustainability Manager at company D explains: *"The value in communicating sustainability performance is that it creates trust, customers become more loyal and it results in company profits"*. Firm D's optimistic view on communicating sustainability performance is also reflected on the company website. The company further addressed the importance of sustainability reporting related to company growth during the case interview, *"If small companies want to grow into large companies, sustainability reporting is critical, and you can not avoid these issues"*, expresses the Sustainability Manager. Additionally, firm F mentions the tangible aspect of sustainability and how sustainability reporting makes it less complex and easier to understand.

As for the development of sustainability reporting, company E experiences a change in the narrative; *"The role of sustainability reporting has changed, from a lot of paperwork to something more useful*", says the CFO. All seven case companies highlighted the future importance of sustainability reporting. The Sustainability Manager of company G visualizes: "*I believe that in 10 years time we have come so far that all decisions made within the company, regardless of the decision level or if it is an economic or strategic decision, sustainability KPIs should be the basis for how those decisions are made"*. The future importance of sustainability reporting is further reflected by company C, D, E and G's sustainability reports.

4.2.2 Transparency

Study results prove how all case companies believe transparency is important for their sustainability work. *"Transparency is a key success factor for the business"* says the CEO at company A. The firm has a low level of transparency currently but wants to prioritise it further. Company G underlined how transparency can help drive effective change and accelerate the sustainability agenda in their sustainability report. In the case interview, the firm also pointed out a challenge in communicating sustainability performance on the right level to increase customer knowledge and interest in these issues. The views on transparency are also related to sustainability networks, specifically the B Corp community for company C, *"We have decided on a high level of transparency which is an essential part of the B Corp work"* explains the Sustainability & Supply Chain Manager. The company's view on transparency is also validated by its sustainability report and website, stating how transparency is a key factor for accelerating sustainability work.

The level of external transparency the companies execute differs. Company B and D, underline that they value transparency highly, supported on the companies' websites. Company D's view on the importance of transparency is also validated in its sustainability report, where they state that they have created a separate webpage to increase transparency and inform their customers about the sustainability work. However, both companies limit their external communication due to the experienced risk of greenwashing, showing a gap between company B and D's expressed value and action. Co-founder & Creative Director at Company B explains: *"We want the sustainability information we communicate to be absolutely right. Companies including us are afraid of publicly communicating an initiative and claim its sustainability benefits but then discover that there were unsustainable aspects of it we were not aware of"*. Adding to that, company D explains how they have a relatively low level of transparency to minimise the risk of being exposed to greenwashing, validated by the firm's limited sustainability report, lacking KPIs on GHG emissions. However, company D sees a positive change and an ongoing trend in sustainability communication where companies are becoming increasingly open in information sharing and learning from each other in their sustainability reports. Company B and D represent different sub-industries as well as company sizes.

4.2.3 Customer expectations

Five out of seven companies experience high customer expectations on both their sustainability work and reporting. Company B explains: *"If you do not deliver, the customer will just buy products from another company"*. Firm D highlights how sustainability reporting can increase customer loyalty. The company also notices exceptionally high expectations from the younger segments among their customers. In their sustainability report, they further argue that to make a climate impact, the company must prioritise and make sustainability decisions based on their stakeholder expectations. Company G points out that the end consumer is becoming more and more interested in sustainability issues and has high expectations on the company. This is validated in the company's sustainability report, where they explain that more and more customers ask how the company is handling sustainability issues. However, the company expresses that many of their customers believe sustainability is important but do not pay attention to details and have an attitude similar to *"Company G has taken care of what needs to be done in terms of sustainability"*. Two companies, A and F, experience moderate customer expectations. *"We have many customers not understanding what sustainability is and consequently have low expectations on sustainability reporting"*, says the Buyer & Sustainability Manager at company F.

Another aspect of customer expectations is their perception of companies' sustainability reporting. Company E believes that most customers do not take time to read into detail a company's sustainability report nor sustainability information, resulting in customers evaluating the sustainability work based on their intuition and perception, highlighting the importance of sustainability communication. *"The customer does not take time to read everything in detail. If one company has succeeded in featuring itself as more sustainable than another one, the customer will choose to buy from that company instead of the other one"*, says the CFO at company E.

4.2.4 Barriers

All case companies describe lack of resources to be a main barrier for sustainability reporting, specifically financial, IT, knowledgeable and human resources. In terms of financial resources, company A, B and G mentions how the large cost of reporting is a critical challenge for SMEs. Another identified challenge mentioned by company D, E and G, are lack of IT resources. To conduct the sustainability report, a lot of data is required, and the companies mention that they do calculations manually in different excel sheets. The companies express that they lack a sustainability tool in terms of an IT platform that could facilitate and keep track of the entire company's sustainability work. Moreover, lack of knowledgeable resources is a limiting barrier for the studied SMEs A, C, D, E, and G. The companies express how they do not have the needed sustainability knowledge and expertise to conduct sustainability reporting. Specifically, company G explains the challenge of developing processes for the first sustainability report, lacking expertise of the expected costs and resources needed. However, the company describes how the barriers reduce with time since the material and models can be reused for the next report saving both costs and time.

A majority of the studied case companies, C, D, E, F and G, highlight being limited by lack of human resources. They explain how they do not have enough time nor enough employees to finish all the sustainability work the firm wants to complete. The same five companies also express an organisational challenge of internal communication when conducting sustainability reporting in a small firm. They explain a difficulty in getting everyone involved at the company and understand their individual contribution to the overall company targets. The companies also express the challenge of being alone in the role as a sustainability manager, and being the only person assigned to work with the sustainability report. "*The main challenge for a sustainability manager is being so alone",* says the Buyer & Sustainability Manager at company F. Internal communication of the company's sustainability performance is an area in which all five companies want to improve to get all employees to understand and participate in the sustainability transformation. To help the companies' co-workers to understand their role in sustainability performance and reporting, company G has decided for all employees to have individual sustainability goals.

Further on, the lack of legal requirements is raised as a main challenge. Company A and E both emphasise the need for a legal and clear requirement of what and how to report to help small businesses understand the role of sustainability reporting and help them get started with reporting earlier. *"Small business owners need education and a requirement on what is demanded and what is an appropriate level",* says the CEO at company A. Both companies state the difficulty in knowing how to start reporting and prioritising since it is a cost involved with measuring and conducting a sustainability report. The two companies highlight the perceived benefits from reporting but explain that it will not be prioritised as long as it is not required. Both companies mention the need for legal requirements are small-sized companies with less than 50 employees.

4.2.5 Sustainability networks

Company C, F & G are part of an official sustainability network, which is further confirmed by the companies' websites. Overall, the companies are optimistic towards sustainability networks; six out of seven have a positive attitude towards joining a sustainability network. *"Forums, where you can be transparent, are very important. Sometimes we get questions from other companies working in the same industries. We always get so happy when we get the opportunity to help someone else"* says the Co-founder & Creative Director at Company B. Benefits highlighted of being part of a sustainability network include increased transparency, standardised measurements, shared best practices and comparability for sustainability reporting. The Sustainability & Supply chain manager at company C highlights the benefits of networks, *"Being part of B Corp has supported us becoming more transparent, as it is a central part of the B Corp work".*

Company G was one of the Co-founders of STICA and is also part of other networks including, BSCI (initiative of the Foreign Trade Association), Sustainability Fashion Academy and the Sustainable Apparel Coalition. The Sustainability Manager of company G explains the benefits of STICA, *"The great thing about STICA is that the more we work together, the more people we get to know, and the more transparent companies become, which helps to build a safety net that you always can reach out to".* However, the Sustainability Manager pinpoints that companies are so different in terms of processes, products, supply chains, and size, making it difficult to find a way suitable for everyone.

5. Discussion

The results imply that a majority of the studied Swedish retail SMEs work actively with sustainability reporting and publish public sustainability reports, despite the absence of legal requirements (EC, 2021). Further on, the results show that the GRI framework and the GHG Protocol are dominant sustainability reporting frameworks among the studied Swedish retail SMEs. The case study findings align with the global trend and support the industry websites and reports, where it is evident that the GHG Protocol is the world's most used framework for measuring and managing GHG emissions (GHG Protocol, 2021), and GRI are the world's most used standards for sustainability reporting (GRI, 2021). Aligning with literature, the case findings show how the interviewed retail SMEs value sustainability reporting and perceive it to help measure progress and targets. The case study findings contribute to the knowledge on the role of sustainability reporting (ElAlfy & Weber, 2019; AlWaer, 2008; Youn, 2017), of retail SMEs specifically, by indicating how reporting makes it easier to understand sustainability performance internally for employees, as well as externally, for customers and other stakeholders. It shows a link between the literature theme role of sustainability reporting and customer expectations, since understanding the role of sustainability reporting can help meet high customer expectations.

When studying the case companies, a difference appeared within the group of SMEs, indicating a relationship between company size and sustainability reporting performance. Interestingly, all three small-sized case companies did not disclose public sustainability reports, while the four medium-sized companies did. Previous research describes that SMEs face challenges when implementing sustainability reporting and practices (Aghelie, 2017). More specifically, the literature states how SMEs and especially micro-enterprises face challenges given the lack of resources (Shields et al., 2017). The study contributes with the perspectives of small-sized and medium-sized SMEs, showing a difference within the group of SMEs. Small-sized SMEs, compared to middle-sized SMEs, do not conduct sustainability reports, experience lower customer expectations, and are more affected by the barrier lack of legal requirements. It indicates how the three types of SMEs should be analysed separately based on size when working with sustainability reporting.

The case study findings prove that all SMEs studied in this report believe transparency is essential for their sustainability work, supporting the existing research field (Bhattacharya & Sen, 2004; Mol 2015; Medel et al., 2011). Previous research highlights the concept of a value-action gap, where an individual's values do not correlate to its actions (Blake, 1999). Two case companies express transparency to be of high importance, however, they still limit their external communication and transparency. Interestingly, our study gives another perspective to the value-action gap theory, implying a gap between how the companies value transparency and their actions. This value-action transparency gap found in this study is illustrated in Figure 2 below. A perceived risk of greenwashing is described by two case companies to limit their transparency actions. As a result, the study indicates that the transparency value-action gap increases by the perceived risk of greenwashing, see Figure 2. An increase in the perceived level of greenwashing may have a growing impact on the transparency value-action gap. The risk of greenwashing is supported in the literature and described to challenge companies in their transparency actions (Bhattacharya & Sen, 2004; Parguel et al., 2011; Gatti et al., 2019).

The study shows how two of the companies participating in sustainability networks have a high level of transparency. On the contrary, three companies that are not part of any sustainability network have a lower level of transparency and are more restricted with what they share externally. The companies being part of a network also underlines that the network enables information sharing and increases the level of transparency the network members have. It indicates that a company's engagement in a sustainability network increases its level of transparency and, hence, decreases the transparency value-action gap. The study results imply a relationship between the studied retail SMEs' level of transparency action and their engagement in a sustainability network. To conclude, being part of a network decreases the value-action gap, illustrated in Figure 2. This shows a link between the literature theme transparency and sustainability networks, explaining how firm's engagement in networks can help increase their transparency level.

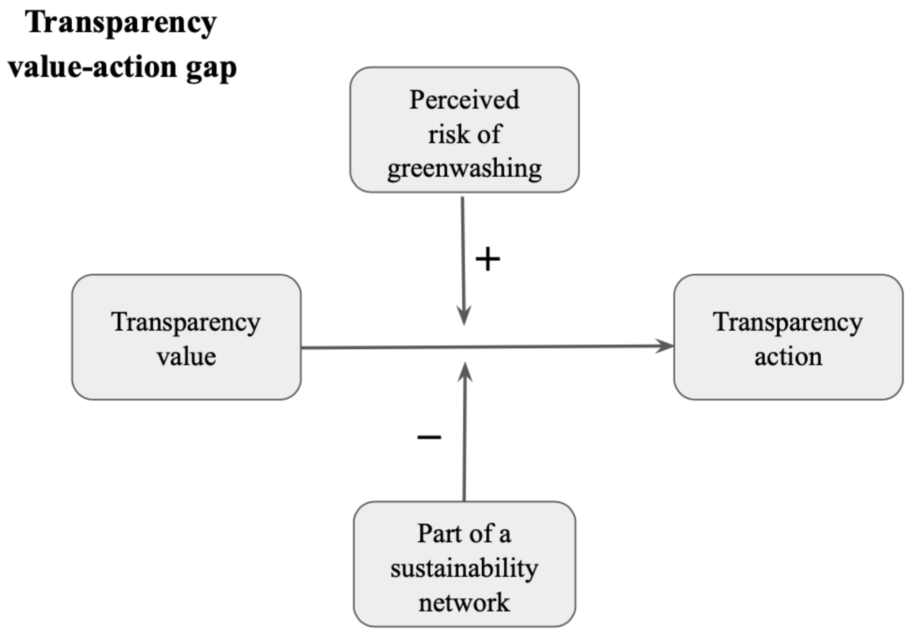

Figure 2. Transparency value- action gap.

Previous research describes how customers are becoming increasingly interested in a businesses' sustainability performance (Bhattacharya & Sen, 2004). In this study, findings imply how not only the interest in reporting of the company's sustainability performance has increased but also the customer expectations on the sustainability reporting. Interestingly, two out of three small-sized SMEs experience moderate customer expectations, unlike the middle-sized SMEs where all four experience high customer expectations. Case study findings show how sustainability reporting can positively influence customer loyalty and increase customer retention, supporting the current body of research (Noh & Johnson, 2019).

The literature describes considerable internal barriers for reporting, including lack of resources, time, and expertise (Bakos et al., 2020). The studied retail SMEs confirm the barriers to be challenging. Specifically, the study identifies financial, IT, human and knowledgeable resources to limit the interviewed SMEs' sustainability reporting, see Figure 3. The knowledgeable barrier, explained as lack of knowledge of the sustainability reporting frameworks, methods and best practices, shows a link between the literature themes barriers and reporting frameworks. The lack of knowledge, results in difficulty in understanding the reporting frameworks which as a consequence can lead to firms reporting less or not at all. The conducted case study broadens the research field with another common barrier among the case companies. The study has identified an organisational barrier of internal communication among SMEs conducting reporting, where a majority of the interviewed professionals mention the difficulty in being alone in their role as a sustainability manager. Related to this barrier, the management at case companies also express the internal difficulty of involving the entire company and help them understand the importance of sustainability performance. One identified solution to address the organisational barrier is to develop individual sustainability goals for all employees, proving the employee's individual contribution to the company's sustainability targets.

Furthermore, both previous research and the case study state that there is little guidance for SME managers on how to start reporting a company's environmental impact (Shields et al., 2017). The literature highlights a significant external barrier; the lack of government regulations for SMEs (Bakos et al., 2020). The impact of this barrier is further supported by the case study findings, revealing a need for more precise legal requirements for retail SMEs of what and how to report to help SMEs get going with sustainability reporting more quickly.

The demand for legal requirements was only expressed by the small-sized SMEs and not mentioned by medium-sized SMEs, showing how increased government regulations could specifically support small SMEs. Consequently, the results suggest a relationship between the size of the company and the perceived need for a legal requirement for sustainability reporting to start measuring performance. See Figure 3 below, illustrating the barriers preventing the sustainability reporting of the studied SMEs'.

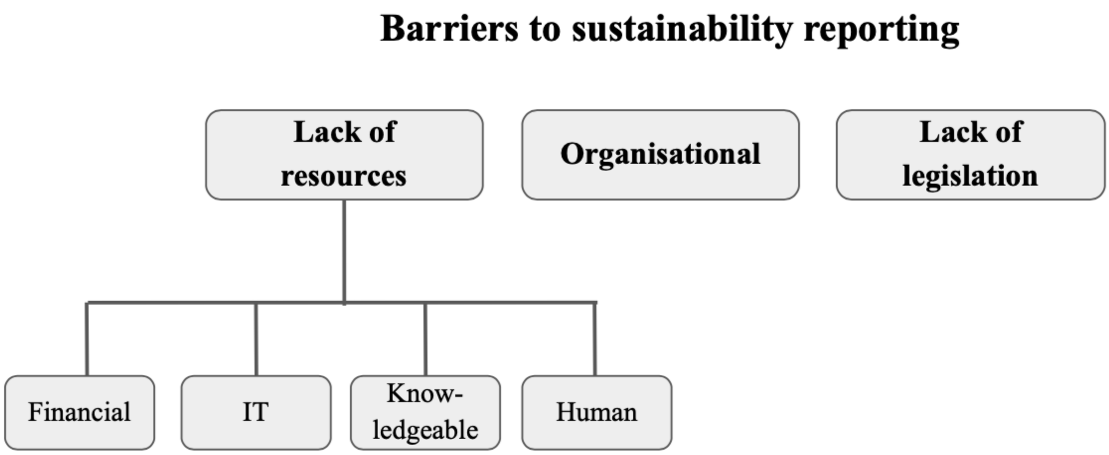

Figure 3. Barriers to sustainability reporting

As described in the literature, information sharing can play an important role in improving sustainability in complex value chains (Wognum et al., 2010). More companies are starting to disclose information to increase transparency within their value chains (Kozlowski et al., 2015). Case study findings show similar trends, where the majority have a positive attitude towards information sharing, specifically through sustainability networks. Results of network participation include the promotion of new dependence patterns that evolve over time and the increase in mutual dependency among companies (Rossignoli & Lionzo, 2018). This study contributes with more perspectives of the results of network participation, showing how participation in networks, and especially sustainability networks, enable standardised measurements and sharing of best practices within the network. Further on, research shows how sustainability reporting among the investigated companies within the Sustainable Apparel Coalition varied greatly despite being part of the same industry (Kozlowski et al., 2015). The study contributes with another perspective of this, showing how the differences between companies make it difficult for sustainability networks to find processes suitable for all companies.

6. Conclusion

6.1 Answer to research question

This thesis has been conducted with the goal of answering the research question:
How do Swedish retail SMEs work with sustainability reporting, and what are the main barriers?
Concluding from this study, the GHG Protocol and GRI framework are the dominating sustainability frameworks among the studied retail SMEs. The interviewed Swedish retail SMEs value sustainability reporting and believe it is a helpful tool for measuring sustainability performance, progress, and set targets. Moreover, a difference appeared in the studied group of SMEs. Small-sized SMEs, compared to middle-sized SMEs, do not conduct sustainability reports, experience lower customer expectations, and are more affected by the barrier lack of legal requirements. It indicates that the three types of SMEs should be analysed separately, based on size, when studying sustainability reporting.

The study implies a value-action transparency gap between the companies' transparency values and their transparency actions. It indicates that the gap increases by the perceived risk of greenwashing and decreases by companies' engagement in sustainability networks (see Figure 2 for illustration). When answering the second part of the research question, "What are the main barriers?", the study concludes lack of financial, IT, knowledgeable and human resources to be the main barriers for retail SMEs. Additionally, an organisational challenge of internal communication within retail SMEs and lack of legal requirements are identified barriers among the studied case companies.

6.2 Contributions of this study

The purpose of this study was to examine how Swedish retail SMEs work with sustainability reporting and what the main barriers are. Previous research on CSR and sustainability reporting have mainly focused on large firms (Kolk, 2003; Jansson et al., 2017) and large retail firms (Frostenson et al., 2013), sometimes overlooking SMEs. The literature on sustainability reporting among SMEs has had a non-industry specification (Medel et al., 2011; Shields et al., 2017). The study contributes to current literature with a retail SME perspective of sustainability reporting. The literature on drivers and barriers to sustainability among companies has mainly focused on larger organisations (Aghelie, 2017; Giunipero et al., 2012) and the study contributes with a barrier focus among SMEs. The study shows a difference between small-sized and middle-sized SMEs related to customer expectations, barriers and reporting performance. It indicates that the three types of SMEs should be analysed separately, based on size, when studying sustainability reporting. Furthermore, the study gives another perspective to the value-action gap theory (Blake, 1999), implying a gap between the companies' transparency values and actions.

The paper enhances the understanding of challenges and barriers to reporting from a Swedish retail SME perspective, broadening the body of research by being both industry and location-specific (Bakos et al., 2020). The study identifies the large barriers: lack of financial, IT, human and knowledgeable resources. Similar barriers are identified by Bakos et al. (2020), except for the IT barrier preventing sustainability reporting, which is a contribution of the study. Furthermore, the study broadens literature by suggesting an organisational barrier of internal communication. The conducted study has shed light on the importance and the role of sustainability reporting.

6.3 Implications of this study

The study may be relevant for Swedish retail managers of SMEs and everyone interested in sustainability reporting, its barriers, and sustainable retailing. By providing insights from the industry, this paper may inspire SMEs to prioritise and advance their sustainability reporting. It can provide guidance regarding the largest barriers towards sustainability reporting and help retail SMEs navigate these. The study identifies the following critical resources limiting sustainability reporting; financial, IT, knowledgeable and human resources, and hence, provides insights on resource allocation for SME managers. Another practical implication of the findings related to barriers is that sustainability managers should consider the identified barrier of internal communication when conducting their sustainability strategy. Specifically, a managerial implication could be to set individual sustainability goals for the company's employees to help them understand their individual contribution to the firm. Consequently, the managers will become more equipped to navigate this barrier and set up an internal approach for communicating sustainability reporting, helping the business improve their sustainability reporting and performance. An additional practical implication based on the study insights, is for retail SMEs to be aware of the identified transparency value-action gap and how being part of a sustainability network potentially could decrease the gap and help them become more transparent. Lastly, the conducted study shows a difference in sustainability reporting practices within the group of SMEs. The studied small-sized retail companies do not conduct sustainability reports and underline the need for a legal requirement onwards to guide them in order for them to start reporting.

6.4 Limitations of the study and future research

In this thesis we acknowledge that some limitations need to be pointed out. First, the small number of cases studied, seven case companies, is a limitation. Further research can increase the number of cases studied, allowing for greater generalisability of the results. Moreover, the secondary sources and the lack of sustainability reports for three of the studied companies can be seen as limitations, making it more challenging to validate the primary data from the interviews. Another limitation related to secondary sources is the rearrangement of words to maintain anonymity leading to the risk of the core message changing. In addition, a limitation is related to the interviewed professionals from the case companies, having roles including sustainability managers, Co-founders, buyers or C-level executives. Obtaining interpretations of people with different roles means that they have different responsibility areas at the companies and potentially different knowledge levels. Consequently, the various perspectives can be seen as a limitation and a recommendation for further research to interview people with the same role, if possible, to increase the homogeneity of the case sample and thus its validity.

When studying the case companies, a difference was found within the group of SMEs, indicating a relationship between company size and sustainability reporting performance. This finding needs further research to confirm, and it suggests an interesting topic for future research, differentiating within the groups of SMEs, comparing and contrasting the sustainability reporting performance of micro-enterprises, small-sized and medium-sized SMEs. The study implies a gap between the companies' values of transparency and their transparency actions. The study findings show that this gap increases by the perceived risk of greenwashing and decreases by companies' engagement in sustainability networks. A recommendation for future research is to confirm and explore the transparency value-action gap among retail SMEs further.

7. References

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8. Appendix

8.1 Interview questions

1. How do you work with sustainability reporting at the moment? Do you report your emissions, and in what way?
2. What KPIs do you measure? What KPIs do you value as extra important and why? What KPIs are particularly challenging to measure and why?
3. Do you get external help from a consultant to measure, manage and communicate the company's climate work and impact? What is your view on consultancy services related to sustainability reporting?
4. Who is responsible for the sustainability report at your company? How is that working?
5. What are the most significant challenges and barriers to sustainability performance? In what way?
6. Do you use any frameworks with principles and guidelines for sustainability reporting?

   If yes → In what way do you use it? What works well with it? What are the challenges and what is difficult about it?
7. Are you part of any sustainability network? How is it affecting your sustainability reporting?
8. In what way do you use your sustainability report internally at the company's various departments?
9. Do you communicate your challenges and risks in regards to sustainability? What areas can you improve in?
10. What is your view of transparency related to sustainability reporting?
11. Do you perceive that your customer's have expectations on your sustainability performance and sustainability reporting? In what way?
12. Do you experience any contradictions in communicating transparently about your sustainability work and your value chain?
13. What role does sustainability accounting play in sustainability work?

14. Do you see any barriers and challenges when it comes to transparency in the retail industry? If yes, in what way?
15. How do you see your business in terms of sustainability and the industry in 10 years?

8.2 Literature review

Literature review of research within the five literature themes.

Author, Year	**Journal/ Publisher, Title**	**Summary of findings**
Role of sustainability reporting		
ElAlfy. A, Weber. O. (2019)	Centre for International Governance Innovation. "Corporate Sustainability Reporting- The Case of the Banking Industry"	The study proposes that the initiatives Task Force for Climate-related Disclosure and Sustainability Accounting Standards Board should be followed and that CSR Reporting should be standardised within the finance industry through linking to the United Nations' Sustainable Development Goals. Additionally, the report argues that existing definitions of materiality are too limited.
Frostenson, M., Helin, S., & Sandström, J. (2013)	Handelns Utvecklingsråd. "Hållbarhetsredovisning i svensk detaljhandel: Roll, relevans och nytta"	The study shows that a relatively small share of retailers use sustainability reporting. Additionally, the subject of sustainability reporting varies greatly as well as its connection to the core business. Moreover, the report identifies three measures to increase the relevance of sustainability reporting; usage of KPIs, the definition of the sustainability reporting's role within the organisation, and the establishment of structures and roles for sustainability reporting work.
AlWaer H, Sibley M, Lewis J (2008)	Architectural Science Review. "Different stakeholder perceptions of sustainability assessment"	The paper results identify potential risks of subjectivity in sustainability assessments of regional shopping centres. Subjectivity originating from diverse views of decision-makers and stakeholders. Moreover, a conclusion is that the priority level used in sustainability assessments is to a great extent dependent on who does the assessment, resulting in subjective assessments.
Youn, C., Kim, S., Lee, Y., Choo, H. J., Jang, S., Jang, J. I. (2017)	Business Strategy and the Environment. "Measuring Retailers' Sustainable Development"	This paper presents a framework and tools for retailers to measure sustainability avoiding subjectivity. The study highlights how sustainability reporting works as an assessment tool and helps retailers measure performance, identify progress over time and as a comparison with industry standards or targets.
Transparency		
Medel-González, F., García, L., &	Information Technologies in Environmental Engineering	To achieve sustainable performance within the organisations, integrating different reporting models facilitating the execution,

Enriquez S., Anido, M. (2011)	“Reporting Models for Corporate Sustainability in SMEs”	tracking, transparency, and communication of corporate strategies is important. Integrating the Sustainability Balanced Scorecard and Global Reporting Initiative frameworks can be beneficial for companies connecting two key processes: strategy management and sustainability reporting.
Bhattacharya CB., Sen S. (2004)	California Management Review “Doing Better at Doing Good: When, Why, and How Consumers Respond To Corporate Social Initiatives”	Presents a model of likely consumer responses to CSR activities. The model proposes both internal and external outcomes for the company, the consumer as well as the CSR issue/cause. Examples of identified internal outcomes are awareness, attitudes and attributions. Examples of external outcomes include purchase behaviour and word-of-mouth.
Parguel, B., Benoît-Moreau, F., Larceneux, F. (2011)	Journal of Business Ethics “How Sustainability Ratings Might Deter ‘Greenwashing’: A Closer Look at Ethical Corporate Communication.”	Study results imply a negative effect of weak corporate brand evaluations in CSR communication because consumers infer less intrinsic motives by the brand. Sustainability ratings thus could act to discourage ‘greenwashing’ and bolster virtuous firms to persist in their CSR practices.
Gatti, L., Seele, P., Rademacher L. (2019)	International Journal of Corporate Social Responsibility. “Grey zone in – greenwash out. A review of greenwashing research and implications for the voluntary-mandatory transition of CSR”	The voluntary aspect of CSR can lead to diffusion of greenwashing and a grey-zone creating space for misleading “green communication”. Greenwashing can proposely be prevented by a combination of voluntary and mandatory aspects.
Mol P.J.A. (2015)	Journal of Cleaner Production. “Transparency and value chain sustainability”	The significance of transparency within value chains is increasing, making it a central object of power struggles, with uncertain outcomes. Markets and states seek to seize transparency arrangements for their own goals. Consequently, more transparency is no longer always the best for citizen-consumer empowerment and for the sustainability of value chains.
Customer expectations		
Puccinelli, N. M., Goodstein R.C., Grewal, D., Price, R., Raghubir, P., Stewart, D. W. (2009)	Journal of Retailing. “Customer Experience Management in Retailing: Understanding the Buying Process”	The study proposes that various elements of consumer behaviour including goals, schema, information processing, memory, involvement, attitudes, affective processing, atmospherics, and consumer attributions and choices, play significant roles during different stages of the consumer decision process. Moreover, the study gives suggestions on how retailers can use this knowledge of consumer behaviour to its advantage.
Creyer. E.H. (1997)	Journal of Consumer Marketing. “The influence of firm behavior on purchase intention: do consumers really care about business ethics?”	This study reveals the positive relationships between a company's CSR performance and consumers' business evaluations. Consumers do not only expect ethical and sustainable firm behaviour, they are also willing to reward this positive behaviour by paying higher prices for the firm's products and services.

Noh. M., Johnson K. K. P (2019)	Journal of Global Fashion Marketing. "Effect of Apparel Brands' Sustainability Efforts on Consumers' Brand Loyalty"	The study shows how sustainability information exerted an influence on consumers' identification with a fashion company. C-B identification was a key mediating variable in the model affecting brand loyalty directly. Sustainability efforts adopted by any of the brand types had the same influence on brand loyalty although fast-fashion brands have another perception.
Barriers		
Aghelie, A. (2017)	International Journal of Business and Economic Development. "Exploring drivers and barriers to sustainability green business practices within small medium sized enterprises: Primary findings"	SMEs play a critical role in the global economy and are therefore important to study. The drivers and barriers to sustainable business practices are different in large firms compared to SMEs. The main barriers to sustainability performance for SMEs are their lack of resources, experience and money required to prioritise green business strategies.
Bakos, J, Siu, M, Orengo, A, Kasiri, N. (2020)	Business Strategy and the Environment. "An analysis of environmental sustainability in small & medium‐sized enterprises: Patterns and trends"	A literature review on barriers and drivers to sustainability in SMEs examining 122 studies from 58 journals published from 2013 to 2019. The review proves the need for further research to investigate SMEs in groups of size, sector and locations since it concludes that studies of barriers are not relevant if they are not industry nor location specific.
Shields, J. F., Shelleman, J. M. (2017)	Journal of Strategic Innovation and Sustainability. "A method to launch sustainability reporting in SMEs: The B corp impact assessment framework"	A common challenge for SMEs is understanding how to integrate sustainability into their business model. The paper proposes methods that could help SMEs integrate sustainability and present key issues in a suitable structure for smaller companies. The suggested method is the "B Impact Assessment" from the B Lab.
Arena, M., Azzone, G. (2012)	Journal of Small Business and Enterprise Development. "A process-based operational framework for sustainability reporting in SMEs"	This study suggests a general method for sustainability KPIs tailormade to small businesses, helping SMEs overcome the challenges they face with sustainability reporting. It also points to the importance of sustainability reporting and the financial benefits of making sustainable choices.
Blake. J (1999)	The International Journal of Justice and Sustainability. "Overcoming the 'value‐action gap' in environmental policy: Tensions between national policy and local experience"	The report addresses the value-action gap commonly observed in environmental contexts, where an individual's values differ from their actions. The conclusions show that greater emphasis must be placed on negotiating partnerships that are more sensitive to local diversity, which involve a more equitable distribution of responsibility between different environmental stakeholders.
Sustainability networks		
Wognum P.M.N., Bremmers H., H. Trienekens J.H., van der Vorst G.A.J. J.,	Advanced Engineering Informatics. "Systems for sustainability and transparency of food supply	The study identifies technical and organisational solutions retrieving and providing information to consumers and decision-makers on sustainability and transparency issues. Moreover, the findings show that information provision primarily concerns individual isolated

M. Bloemhof. J (2011)	chains – Current status and challenges”	business actors.
Rossignoli, F., Lionzo, A. (2018)	Journal of Cleaner Production. “Network impact on business models for sustainability: Case study in the energy sector”	The study shows how networks create and augment a different approach to capturing value, based on new links among participants in the network. Moreover, the paper shows that networks can help achieve sustainability goals by addressing the problem of resource dependency. On the other hand, it is seen how new resource dependencies on network partners, and the network itself, are emerging.
Kozlowski, A., Searcy, C. and Bardecki, M. (2015)	International Journal of Productivity and Performance Management. “Corporate sustainability reporting in the apparel industry: An analysis of indicators disclosed.”	Study results show reported corporate sustainability indicators for apparel brands belonging to the Sustainable Apparel Coalition (SAC). The report found sustainable supply chain management to be the most common indication while business innovation and consumer engagement were least common. Overall, the study found a lack of consistency among the corporate sustainability indicators.