

Creation of a sustainability champion

A case study on accounting and sustainability using sensemaking theory

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Abstract: This paper investigates the factors hindering or enabling sustainability measurement and work using sensemaking theory. A qualitative abductive case-study method is used to collect data on the case subject (SustainCo), a public multinational company externally recognized for its sustainability work. In doing so, this paper responds to calls for additional engagement studies focused on internal factors within the intersection of accounting and sustainability, with a focus on the UN SDGs. This paper's main contribution is an interdependent timeline of enabling factors which has increased the organizational sensemaking around sustainability and enabled SustainCo's sustainability measurement and work. In addition, it is established that even a company externally recognized for its sustainability work, and with a sustainable organizational identity, prioritizes financial measures over non-financial.

Keywords: Accounting, Sustainability, Sustainable Development Goals, Sensemaking, Sensegiving

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1. Introduction

This section provides an introduction to the research topic, previous research done within the area, and this paper's contributions.

1.1 Background

During the last few years, sustainability has become an increasingly relevant topic, and for large companies, the pressure to profile themselves as sustainable has increased (*McKinsey, 2022*). More and more companies have started using sustainability measures to measure and control different business processes, both for internal and for external stakeholders (*McKinsey, 2019*). Even though there are regulations present in some countries, more is on the way, such as the EU directive requiring large companies to report on sustainability performance and policy (CSRD) (*European Commission, 2022*). In addition, the sustainability focused reporting framework "Integrated Reporting Framework" was consolidated into IFRS this year (*IFRS, 2022*). However, some companies still choose to go above and beyond what is expected and required from them by law. The research subject is one of these companies, hereafter "SustainCo", and one of the companies that has received external awards for their sustainability performance. During the last three years, the company has been ranked as either one of the most sustainable companies in the world, or the most sustainable. Even if there are multiple rankings, and different rankings use and weigh different metrics when evaluating companies, it is fair to say that the company has been externally recognized for its sustainability work. In this paper, when referring to SustainCo being "successful" with its sustainability measurement and work, it is not a judgement by the authors, but an acknowledgement of the external awards received.

In this paper the UN's World Commission on Environment and Development's (WCED) definition of sustainability "meets the needs of the present without compromising the ability of future generations to meet their own needs" is used (*WCED, 1987*). Furthermore, sustainability is used as a broad term including actions related to sustainability, ESG (Environmental, Social, and Governance), and CSR (Corporate Social Responsibility).

1.2 Problematization

Despite the relevance of this topic and the need for more research within the area due to increasing regulation, limited research has been made on how companies work internally with sustainability and what makes some companies successful while others fail. Prior research has been mostly focused on finding out which companies measure sustainability and why, as well as investigating the existence of a link between sustainability and financial performance.

Furthermore, research has been made on the importance of measuring sustainability which has led to a myriad of different frameworks and measures. However, there has been less focus on the internal aspects of how companies measure sustainability. To address this gap in the literature, multiple researchers have urged the research community to increase the number of engagement studies focused on internal factors affecting sustainability measurement and work (*Adams & McNicholas, 2007; Thijssens et al., 2016*), as well as to focus on measures related to the UN SDGs (Sustainable Development Goals) (*Bebbington & Unerman, 2018; Song et al., 2022*). With this background, we argue that previous research within the area is incomplete and believe that this paper fills an existing gap as it addresses these calls by performing a case study on a company that measures their progress towards the UN SDGs, and has been externally recognized for doing so.

In addition to addressing the research gap of engagement studies within sustainability and accounting, and with a focus on the UN SDGs, we argue that there are theoretical and practical benefits of studying a company that is considered "best in class" by external observers, because it provides insight into how companies that are considered sustainable actually work with sustainability internally, and a possibility to identify key factors for their success.

1.3 Purpose and Research Question

This study aims to investigate, with the help of sensemaking theory, what factors enable or hinder sustainability measurement and work in a company that has been externally recognized for their sustainability work. A qualitative, abductive case study approach is used, and the concepts of sensemaking, sensegiving, and organizational theory are used to analyze the factors and their effect. The study focuses on SustainCo's main (according to the interviewees) sustainability metric "Revenue Contribution to the UN SDGs", hereafter "UN SDG measure", but generalizes

the factors for SustainCo's whole sustainability measurement and work. Consequently, this paper's research question is the following:

What factors affect the organizational sensemaking around sustainability, enabling or hindering sustainability measurement and work, in a public multinational company acknowledged for its sustainability work?

1.4 Contribution

This paper strengthens the conclusions of previous research within the area regarding aspects of what factors enable or hinder companies to successfully measure and work with sustainability. However, the main contribution of the paper is the interdependent timeline of enabling factors (product/purpose sustainability fit, internal champion, award/external recognition, and anchoring sustainability work across the organization) which has increased the organizational sensemaking around sustainability and enabled improved sustainability measurement and work, exemplified with the UN SDG measure. Furthermore, this paper shows that the tension and competing sensemaking between financial and non-financial measures is present in a company that has been externally recognized as the world's most sustainable company, and that it is possible to increase sensemaking and improve sustainability measurement and work while still prioritizing financial measures.

2. Literature and theory

This section introduces previous literature within the area split into i) previous research done on sustainability as a general introduction to the topic of sustainability, ii) previous research done on the measurement of sustainability and challenges faced, iii) previous research done on the internal sustainability perspective to contrast this to the external perspective and the need for more research within this area. Following this, the section introduces the concepts of sensemaking and sensegiving that will be used to analyze the empirics, and showcases how it has been used in previous research.

2.1 Literature review

2.1.1 Previous research done on sustainability

The transition towards a sustainable future and what can be done to facilitate it is an increasingly popular field in terms of research studies, within different academic fields (*Markard et al., 2011*). In this paper we use the UN's World Commission on Environment and Development's (WCED) definition of sustainability: "meets the needs of the present without compromising the ability of future generations to meet their own needs" (*WCED, 1987*). Furthermore, we use sustainability as a broad term including actions related to sustainability, ESG, and CSR. In addition, we also view the 17 Sustainable Development Goals (SDGs) set by the UN in 2015 when underwriting the 2030 Agenda for Sustainable Development, as an integral part of the sustainability definition (*UN, 2022*). These goals are regarded as the most integral targets to work towards to achieve sustainable development and there have been calls for more research contribution within the area (*Bebbington & Unerman, 2018; Song et al., 2022; Ike et al., 2019*). Even though companies communicate about the SDGs, with 304/500 of the Fortune Global Top 500 corporations presenting content related to the SDGs on their website, only 0.2% of these companies have developed methods to measure their progress against these targets (*Song et al., 2022*).

Within wider business research, much emphasis has been placed on the existence of a link between sustainability and financial performance, where one side argues that sustainable investments by management deteriorate shareholder value, while others believe that it can lead to a competitive advantage through direct and indirect links to financial performance (*Barnett & Salomon, 2006; Carroll & Shabana, 2010; Friedman, 1970, as quoted in Barnett & Salomon, 2006; Porter & Van Der Linde, 1995*). These views have been tested in practice, but have produced mixed results (*Barnett & Salomon, 2006; Qiu et al., 2016*) where one study found that the value impact of sustainability was dependent on firm size and age (*D'Amato & Falivena, 2019*), while another study researched the stock performance of sustainable and non-sustainable (control group) companies over a time period of 14 years found that sustainable companies had on average lower returns than the control sample, but that as a group, there was no difference in risk-adjusted returns (*Becchetti & Ciciretti, 2009*). Some researchers contribute these mixed results to the fact that it is unclear what drives what, where studies have found that more

available economic resources lead to more sustainability disclosures and not the other way around (Qiu et al., 2016).

Within accounting specifically, much of the research has been focused on which types of companies are measuring sustainability and why, while there has been less research on how they do it (Bebbington & Larrinaga, 2014; Maas et al., 2016). Research studies have found that firm characteristics seem to play a deciding role in which companies measure and disclose with size, profitability, industry, and governance mechanisms being deciding factors causing visible companies (large, high-profile industry, profitable) to disclose more (Adams et al., 1998; Ali et al., 2017; Belkaoui & Karnik, 1989; Qiu et al., 2016). Furthermore, external pressure from stakeholders seems to push companies to measure and disclose information, and visible companies are the subject of more scrutiny (Adams et al., 1998; Ali et al., 2017). This is in line with the most popular theoretical explanations for sustainability reporting (legitimacy and stakeholder theory, institutional theory, and signaling and agency theory) (Hahn & Kühnen, 2013). However, since it is unclear what drives what, external firm characteristics might not show the full picture, which is why there has been an increased focus on and request for case studies on the internal aspects of sustainability reporting (Adams & McNicholas, 2007; Qiu et al., 2016; Thijssens et al., 2016).

Papers have also stressed the challenges with implementing and measuring sustainability, with 93% of CEOs worldwide agreeing that sustainability is important, but only 38% think that they are able to correctly quantify it (Hayward et al., 2013). The issue is due to difficulties with defining sustainable development within an organization and due to the lack of common applicable accounting practices (Bebbington & Larrinaga, 2014; Searcy et al., 2005).

2.1.2 Measuring sustainability

Issues mentioned above have also been prevalent in accounting research for decades which has focused on the relationship between corporate strategy and measurements, also described as management control systems (MCSs) (Kober et al., 2007; Langfield-Smith, 1997, 2007; Riccaboni & Leone, 2010), with some authors arguing that the connection between strategy and measurements is essential (Dent, 1990; Samson et al., 1991; Simons, 1987, 1990), and others

emphasizing the connection between measurements, strategy and an organization's external environment (Govindarajan & Gupta, 1985; Govindarajan, 1988).

Consequently, the increased prevalence of sustainability reporting (KPMG 2022) and the focus on being sustainable has created the need for companies to reshape their strategies to account for sustainability (Shrivastava & Hart, 1995; Shrivastava & Addas, 2014). Thus, given the importance of MCSs for a successful strategy, companies have tried to integrate sustainability in the same way, developing Sustainability Control Systems (SCSs) (Gond et al., 2012). However, since sustainability measurements imply the addition of sustainability measures in the financial control systems, some articles have identified a friction between the two (Argento et al., 2022; Gond et al., 2012; Riccaboni & Leone, 2010). The friction, also referred to as the *Sustainability Paradox*, arises due to MCSs being geared towards measuring and controlling financial measures, causing managers to potentially act on financial measures rather than non-financial even if the company has a strong sustainability strategy (Argento et al., 2022; Durden, 2008). However, the use of sustainability measurements, or SCSs, is still seen as rather successful, as long as companies align their internal long-term strategy with their external sustainability commitment (Argento et al., 2022; Riccaboni & Leone, 2010; Smith & Lewis 2011).

Meanwhile, there has also been a sharp increase in new sustainability measurement frameworks to facilitate the use of sustainability measures (Delai & Takahashi, 2011; Villiers et al., 2014). However, the lack of studies done on the connection between internal sustainability measurements and their effect on financial factors has led to an absence of fully integrated sustainability reporting frameworks (Bebbington & Larrinaga, 2014; Delai & Takahashi, 2011; Villiers et al., 2014). Consequently, Villiers et al. (2014) mentions the development of the Integrated Reporting framework in 2011 as a potential solution. This framework was consolidated into IFRS in August 2022, and may become mandatory under IFRS (IFRS, 2022). However, some early adopters of this framework had issues with integrating it in their organization (Stubbs & Higgins, 2014). The ones that did succeed had corporate values in line with that of the framework, such as a focus on social or environmental change, and saw an increase in financial and sustainability performance (Stubbs & Higgins, 2014). These findings indicate that the benefits does not lie in the Integrated Reporting framework, but in the proper

use, and integration, of measures (*Contrafatto & Burns, 2013; Hristov & Chirico, 2019*), connecting back to the importance of MCSs and SCSs. This need to properly integrate sustainability measures in an organization can be seen in other research, regardless of which framework or method the company uses, facilitating improved financial and sustainability performance (*Hristov et al., 2021; Hristov & Chirico, 2019; Stubbs & Higgins, 2014*).

In summary, previous research does not find common ground on one accepted method for sustainability measurements and reporting (*Bebbington & Larrinaga, 2014; Delai & Takahashi, 2011; Stubbs & Higgins, 2014; Villiers et al., 2014*), and many researchers still believe that there are issues in aligning sustainable and financial goals (*Bebbington & Larrinaga, 2014; Hristov et al., 2021; Villiers et al., 2014*). Furthermore, organizations that struggle the most are the ones that don't have business ideas or corporate values focused on sustainability. In addition, it is clear from previous research that properly integrated sustainability measurements are essential for furthering sustainable development and are also beneficial to financial growth (*Bebbington & Larrinaga, 2014; Contrafatto & Burns, 2013; Hristov et al., 2021; Hristov & Chirico, 2019; Robson, 1992; Stubbs & Higgins, 2014; Villiers et al., 2014*).

2.1.3 Internal sustainability perspective

As stated earlier, there has been less focus on how companies measure and disclose sustainability, than why they do it (*Adams, 2002; Bebbington & Larrinaga, 2014; Maas et al., 2016*). Because of this, researchers have been urging the community to perform more engagement studies within the intersection of sustainability and accounting (*Adams McNicholas, 2007*), focusing on internal factors (*Thijssens et al., 2016*).

Of the studies discussed earlier that focus on how companies measure and disclose sustainability, the results showed that methodology is diversified, possibly since there is no universal standard and different companies are better suited to use different methodologies (*Batista & de Fransisco, 2018; Contrafatto & Burns, 2013; Hristov & Chirico, 2019; Thijssens et al., 2016*). However, despite the differences in how companies choose to measure and report sustainability, Thijssens et al. (2016) found that of the six Dutch companies he researched, the quality of the reporting was high, but led to inconsistencies over time, potentially because of the lack of a universal standard.

In line with this, studies emphasize the need for a management control system to be able to measure and act on the data, both to internal and external stakeholders, like with financial accounting (*Bartolomeo et al., 2000; Durden, 2008; Hristov et al., 2021; Lamberton, 2005*). While the external perspective's goal is to facilitate accountability, the internal perspective needs to be designed to provide useful information to management to act on (*Lamberton, 2005*). A trans-European case study involving numerous large companies found that even though some sustainability measures were measured, they were not fully integrated into the organization, i.e., not letting management act on the information when deciding about e.g., product development (*Bartolomeo et al., 2000*). Another case study found that even though managers promoted sustainability outwards to strengthen the brand of the company, there was no evidence of formal or informal controls to support it, exemplifying the sustainability paradox mentioned earlier (*Argento et al., 2022; Durden, 2008*).

Building on the earlier reasoning that more visible companies are more prone to measure and disclose sustainable targets, case studies have been performed that confirm that the main reason for sustainability reporting is the business case, driven by public perception and stakeholder pressure (*Adams & Frost, 2008; Adams & McNicholas, 2007*). Also, as it becomes more common, one reason for adopting sustainability reporting is that everyone else is doing it and that it therefore seems to be “the right thing to do” (*Bebbington et al., 2009*). Furthermore, a case study involving 29 senior managers found that the main motive for managers to engage with sustainability reporting was self-interest and that often resulted in symbolic actions (also known as greenwashing) (*O'Dwyer, 2002*). This is confirmed by another case study showing that the implementation of sustainability measures failed to change the structures and goals of the organization and that there were almost no improvements in environmental performance (*Larrinaga-Gonzalez & Bebbington, 2001*). The two reasons for this that the authors found, was that the study subject was not in an industry where you could choose to increase sustainability without suffering monetary losses, as well as that the sustainable measures must “reproduce the underlying rationale of the organization” (*Larrinaga-Gonzalez & Bebbington, 2001*). This is in line with the sustainability paradox, claiming that there are tensions between sustainability and financial goals (*Argento et al., 2022; Durden, 2008; Ozanne et al., 2016*).

In contrast to this, other studies suggest that reasons for excelling in sustainability reporting has to do with internal pressure e.g., from one or more key internal actors (internal champions) promoting the issue and subsequently creating an internal supportive culture of it (*Ball, 2005; Ball, 2007; Egan, 2019; Kaspersen & Johansen, 2016; Lodhia & Jacobs, 2013; Massa et al., 2015*). For example, by using a case-based action research method, Massa et al. (2015) found how the commitment to implement sustainability reporting from the CEO led to increased commitment and pressure to conform from other managers. This is in line with Lodhia & Jacobs (2013), which found that even after the CFO (the main champion of sustainability reporting) left the company, there was a strong culture and commitment to improve the sustainability reporting. These internal actors are examples of institutional entrepreneurs leading sustainability efforts within larger companies (*Argento et al., 2019*). However, even if these studies show that the original commitment came from internal actions, it is not always clear what cause these individuals to pressure the organization to move in their chosen direction, even if it in some cases is explicitly due to personal values (*Argento et al., 2019; Egan, 2019*).

This literature review has showcased the relevance of, and interest in research on the intersection of sustainability and accounting, which is partly driven by the challenges that companies face when measuring sustainability, relating it to financial measures, and integrating it into their management control systems. Furthermore, previous research has shown that sustainability measures sometimes are measured just to show to external stakeholders while the internal integration is lagging, which has become known as the sustainability paradox. There is thus a gap in the research explaining how successful, in this case externally recognized, companies measure and work with sustainability measures. This need is further strengthened by the research community's calls for further research, especially engagement studies (*Adams & McNicholas, 2007*), focused on internal factors (*Thijssens et al., 2016*), within the area of accounting and UN SDGs (*Bebbington & Unerman, 2018; Song et al., 2022*). With this background, we argue that previous research within the area is incomplete and believe that this paper fills an existing gap as it addresses these calls by conducting a case study on a company that measures their progress towards the UN SDGs, and have been externally recognized for doing so. The fact that the subject company has been recognized as the world's most sustainable company adds an additional dimension and uniqueness to this paper's contributions. The results of this study can

thus act as both a basis for future research within the area, and as a benchmark for other companies looking to improve their sustainability measurement and work.

2.2 Theoretical framework

2.2.1 Sensemaking theory

To understand what factors affect SustainCo's sustainability measurement and work, as well as how, we use sensemaking theory, originally introduced into organizational areas by Weick (1995). Organizational sensemaking, as developed by Weick, is primarily about the questions of "How does something come to be an event for organizational members", "What does an event mean", and "How does that event shape an action" (Weick *et al.*, 2005). Put more simply, sensemaking is about the process of individuals trying to understand and put meaning into what happens around them, which is an integral part of organizations, since it is often necessary to generate a common ground (Maitlis & Christianson, 2014; Weick *et al.*, 2005). Formally, we use the definition used by Maitlis & Christianson (2014): "a process, prompted by violated expectations, that involves attending to and bracketing cues in the environment, creating intersubjective meaning through cycles of interpretation and action, and thereby enacting a more ordered environment from which further cues can be drawn." To clarify, the definition of a cue according to Maitlis & Christianson (2014) is: "Sensemaking is triggered by cues—such as issues, events, or situations—for which the meaning is ambiguous and/or outcomes uncertain."

Furthermore, to understand how management, or other powerful individual actors within SustainCo might influence the sensemaking of others in the organization, we use the concept of sensegiving (Gioia & Chittipeddi, 1991; Maitlis & Lawrence, 2007). For sensegiving, we use the definition created by Sonenshein (2010), inspired by the work of Gioia & Chittipeddi (1991) and Maitlis & Lawrence (2007): "Sensegiving" is a related process by which individuals attempt to influence the sensemaking of others." See *Figure 1* for a simplified overview of how sensemaking and sensegiving processes relate to a typical organizational hierarchy.

Finally, to understand how single sensemaking processes can enable shared sensemaking within an organization, the concept of organizational identity is used. Organizational identity is

interlinked with sensemaking, as it influences sensemaking, but is also influenced by sensemaking. We use the definition from Weick et al. (2005): “From the perspective of sensemaking, who we think we are (identity) as organizational actors shape what we enact and how we interpret, which affects what outsiders think we are (image) and how they treat us, which stabilizes or destabilizes our identity.”

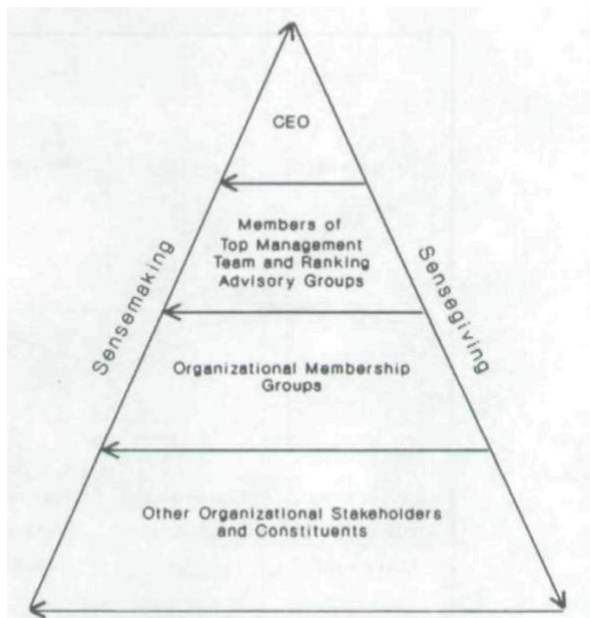


Figure 1: Illustrating the relationship between sensemaking and sensegiving between different actors within an organization (Gioia & Chittipeddi, 1991)

2.2.2 Sensemaking and accounting

Earlier research has argued that accounting plays a role in the sensegiving to both internal and external actors. Within the internal organization, accounting contributes to organizational sensemaking because it is an objective set of rules that can contribute to new and existing member’s sensemaking, similar to the use of symbols or maps (Ancona, 2012, as quoted in Egan, 2019; Boland & Pondy, 1983; Boland, 1984; Kraus & Strömsten, 2012; Tillman & Goddard, 2008). Furthermore, because quantitative accounting information is more harmonized/objective, it is easier to make sense of than qualitative information, thus facilitating sensemaking and sensegiving (Tillman & Goddard, 2008). This view was further strengthened by Kraus & Strömsten (2012) which showed, through sensemaking, how short-term quantitative information was more emphasized by recipients than qualitative information, because of the common ground

that quantitative information created in a chaotic time that an IPO (Initial Public Offering) is. However, even if the accounting system is objective, it can still lead to different sensemaking responses for different individuals (*Baker & Schaltegger, 2015; Jönsson, 1987; Kraus & Strömsten, 2012*), partly due to the verbal additions to the otherwise neutral numbers (*Giuliani, 2016*). In addition, one may view accounting information as a basis of sensegiving from management to external actors, such as financial analysts (*Kraus & Strömsten, 2012*) or other stakeholders (*Baker Schaltegger, 2015*).

Furthermore, there have also been specific studies on the role that sustainable accounting plays in the sensemaking process, where it triggers organizational sensemaking through uncertainty and ambiguity (*Onkila et al., 2018; Weick et al., 2005*). Studies have shown varying results with one study showing the CEO acting as an institutional entrepreneur to promote sustainability within the company, while others show that employees perceive the sustainability work being targeted towards external stakeholders, and called for more internal actions (*Argento et al., 2022; Egan, 2019; Onkila et al., 2018*). An example of a CEO acting as an institutional entrepreneur was in a private family-run company where the CEO's sensegiving to the rest of the organization was vital for the success of the implementation process (*Egan, 2019*). However, the CEO had no intention to communicate these measures externally, and the implementation was entirely due to personal values (*Egan, 2019*). The employees in another study found that their company's reports only targeted external stakeholders and lacked a genuine dialogue, or sensegiving process, between management and employees about sustainability, leading to a lack of sensemaking about the organizational identity as sustainable, which is an important factor to institutionalize sustainability within an organization (*Contrafatto, 2014; Onkila et al., 2018*). In line with this, *Argento et al. (2022)* pointed out the existence of the sustainability paradox, within a company with strong sustainability recognition, since the company prioritized profitability goals, did not link sustainability to their strategy, and lacked a shared organizational sensemaking of sustainability within the organization (*Argento et al., 2022*). The different perceptions between employees in different positions within the organization reflected a "fragmented sensemaking and explains the existence of the sustainability paradox" (*Argento et al., 2022*). Finally, a study used sensemaking to understand the current state of integrated reporting and emphasized the need for

future research to understand how organizations make sense of integrated reporting, and how it should be practically applied in organizations (*Perego et al., 2016*).

2.2.3 Use of framework

The previous research using sensemaking to understand the role of accounting, as well as the role of sustainability measures, supports the use of sensemaking as the framework for this study. We will use the concepts to analyze what factors influence SustainCo's sustainability measurement and work, and how they do it. To clarify further, below are examples in which situations the concepts could be applied in this paper.

For sensemaking, we could see SustainCo's employees, and SustainCo's external stakeholders use accounting information as a cue to make sense, which may lead to actions creating more cues, in a reinforcing loop. For example, a Vice President (VP) in the commercial division with the UN SDG measure as a part of their monthly report to their superior, might see this as a sensemaking cue, making sense of the measure as important, and thus choosing to promote more sustainable products, causing other members to realize the value and integrate it into their business practices.

For sensegiving, this could be the Senior Vice President (SVP) including the UN SDG measure in the VP's monthly report and thereby affecting how the VP makes sense of the importance of the measure. These definitions see sensemaking and sensegiving as constantly happening within an organization and sometimes sensegiving will create the planned sensemaking response and sometimes it will not. For example, it could have been that the VP saw that the SVP included the metric in their monthly report, but, since it was not included in the performance evaluation, the VP thought that it was not as important as the financial metrics and chose to ignore it. It will thus be important to analyze the sensegiving and sensemaking of the actors and see if sensegiving leads to the planned sensemaking response and why that is, or is not the case.

For organizational identity, it could be initiatives or cues that enable individual sensemaking throughout the organization, leading to shared sensemaking, altering the identity. For example, the integration of the UN SDG measure could increase sensemaking to the extent that multiple

individuals start to view SustainCo as sustainable, leading to a shift in identity where the organization starts to view itself as sustainable, creating a sustainable organizational identity. Furthermore, this sustainable organizational identity could lead to the implementation of additional sustainability initiatives, further strengthening the sustainable organizational identity in a reinforcing loop.

3. Research Design and Methodology

This section establishes the method used to approach the research question, data collection, and analysis. Furthermore, important methodological choices are related to previous literature within the area.

3.1 Methodology Approach and Fit

In line with previously mentioned calls to address a research gap within the intersection of sustainability and accounting using engagement studies, a qualitative case study method with semi-structured interviews was chosen (*Adams & McNicholas, 2007; Rubin & Rubin 1995*). This is also in line with Ahrens and Chapman (2006), which argues for the use of a qualitative methodology when studying management accounting because it allows for the study of multiple variables which may not be identified with other research methods. In combination with interviews, external material such as annual reports and press releases were examined.

Furthermore, an abductive approach was used, which has been recognized as a suitable approach for in-depth case studies (*Dubois & Gadde, 2002; Timmermans, & Tavory, 2012*). The strength of using an abductive approach is the continuous revision of the underlying literature and supporting framework when faced with new, or contradictory, evidence, creating better conditions for an exhaustive analysis and conclusion (*Dubois & Gadde, 2002; Timmermans, & Tavory, 2012*).

The company, SustainCo, was chosen based on its extensive sustainability reporting and external recognition for being one of the world's most sustainable companies. During the last 3 years, the company has been ranked as either one of the most sustainable companies in the world, or the most sustainable. Even if there are multiple rankings, and different rankings can use and weigh

different metrics when evaluating companies, it is fair to say that the company has been externally recognized for its sustainability measurement and work. In this paper, when referring to SustainCo being “successful” with its sustainability measurement and work, it is not a judgement by the authors, but an acknowledgement of the external awards received. Furthermore, SustainCo is a manufacturing company of natural ingredients and solutions in food, and has operations on all continents, with >3,000 employees. SustainCo has a dedicated sustainability board chaired by the CEO and a dedicated department to sustainability and ESG. For confidentiality reasons the company and all interviewees have been anonymized by using a cover name for the company and general position descriptions for the interviewees.

Initial contact was made with a Director focused on sustainability (DS) to propose the study and describe its scope and requirements. The study was accepted through email correspondence and a first informal interview with DS was set up to help identify what aspects of SustainCo’s sustainability work would be interesting to learn more about and potentially develop the paper around. The aim of the informal interview was also to obtain a list of key employees that would be able to provide further insights (*Creswell, 1998*). Through this informal interview it was learnt that SustainCo has a measure which shows the total percentage of their revenue that contributes to the UN SDGs, and that this measure was the main reason for winning the award as the world’s most sustainable company. Contribution towards the UN SDGs is also part of the research gap identified in the literature study, and since the company and the external ranking also placed a lot of emphasis on it, this metric was chosen as the preliminary metric to base the study around (*Bebbington & Unerman, 2018; Song et al., 2022*). However, even though the study is mainly based around this measure, because of the significant role this measure play within SustainCo’s sustainability measurement and work, SustainCo’s overall sustainability measurement and work will be discussed as well.

10 interviews were set up, both with the help of DS and independently through other connections. Because of the risk of employees downplaying negatives and exaggerating positives about the company when their superior organizes the interview, independent interviews were set up to get as objective of a view as possible. Interviews were conducted via Microsoft Teams video meetings, and further information about the details of each interviewee is found in *Table 1*. The

interview guide with example questions can be found in *Appendix 1*, however questions were also personalized to fit each interview and the main part of the discussion revolved around follow-up questions asked.

<u>Date</u>	<u>Generic position</u>	<u>Focus Area</u>	<u>Acronym used</u>	<u>Length (mins)</u>
16-Sep-2022	Director	Sustainability	DS	29
25-Oct-2022	Head	Sustainability	HOS	41
27-Oct-2022	Business Controller	Finance	BC	47
28-Oct-2022	Director	Central	DC	35
01-Nov-2022	Senior Vice President	Commercial	SVP	27
10-Nov-2022	Senior Vice President	Operations	SVP2	33
16-Nov-2022	Director	Commercial	DCO	30
17-Nov-2022	Head	Communication	HC	41
18-Nov-2022	Sourcing Manager	Sustainability	SMS	36
25-Nov-2022	Director (2 nd interview)	Sustainability	DS	34

Table 1: Summary of interviews conducted

Interviews were recorded and transcribed to facilitate a correct understanding and ensure accurate quotes. To get a nuanced view, a wide variety of employees, both in terms of focus area (financial vs non-financial) and in terms of seniority were interviewed. Furthermore, all statements made in the interviews were cross-referenced to external material, such as annual reports, sustainability reports and other material, to identify potential discrepancies.

The collected data was thoroughly analyzed for themes that could help explain the research question and provide a foundation for a constructive analysis. All transcripts were read through to identify general themes between the interviews. The transcripts were then analyzed again with each theme in mind and all relevant quotes were saved in a theme-specific document (*Rubin & Rubin, 1995*). The quotes for each theme were then analyzed in depth through the lens of the sensemaking framework and the underlying literature. The analysis found eight main themes present in the interviews, which will be examined in the following pages. The subjective nature of finding “general” themes and “most relevant” quotes to fit the research area was recognized

(Ahrens & Chapman, 2006), which is why the process was completed standalone by both authors and then jointly discussed to reach as an objective of a view as possible.

4. Empirics

This section firstly introduces some background information on how the UN SDG measure is measured in practice, then introduces relevant quotes related to the themes, hereafter factors, that were found during the analysis, and applies the concepts developed in the theory part to analyze the quotes. The factors found are split into factors enabling SustainCo's sustainability measurement and work, and factors that are hindering it. As mentioned earlier, even though the study is mainly based around the UN SDG measure, because of the significant role this measure plays, and has played, within SustainCo's sustainability measurement and work, SustainCo's overall sustainability measurement and work will be discussed.

4.1 Background information on the measure and the award

The UN SDG measure is considered the primary sustainability measure according to the interviewees, for example HOS when asked if it was the most important measure: *Yeah, I think. I think it needs to be*, or as HC describes it: *it's really a backbone in our sustainability strategy, but also communication*. The measure is based around three chosen SDG goals where SustainCo believe that they have the most impact: 2. Zero Hunger, 3. Good Health and Well-being, and 12. Responsible Consumption and Production. All SustainCo's products (>3,000) are then investigated to see if there is any documented claim that the product contributes to one or more of the goals. The accepted forms of documentations are: scientific trials, reviewed impact articles, customer feedback, and R&D tests. Each product that fulfills one of these requirements are then marked, and the revenue from all of these products is summed up. The data and process are then verified by a Big 4 audit firm, see overview of the process in *Figure 2 (SustainCo, 2017)*. Furthermore, the measure was the primary reason for winning the award as the world's most sustainable company according to DS: *Well, I know that very specifically because we obviously did the analysis of where we score the highest and there's no doubt that it was because we had this SDG calculation*. The award the company received has been given out since the early 2000s, and is based on a rigorous assessment of public companies with revenue over \$1bn.

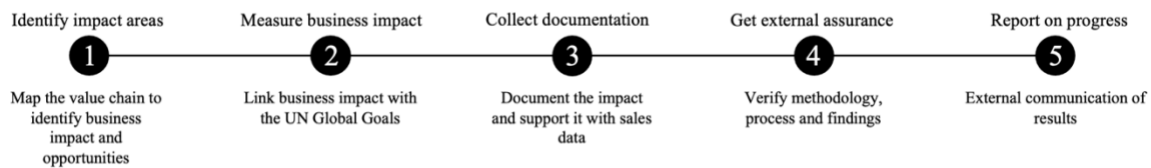


Figure 2: Overview over the process of the UN SDG measure (anonymized version of figure from SustainCo's material, 2017).

4.2 Factors enabling sustainability measurement and work

4.2.1 Internal champion

The fact that there is an individual (internal champion) within SustainCo that focuses on sustainability, works hard to implement measures like the UN SDG measure, and through this, sensegives to the rest of the company, became clear during the interviews when most of the interviewees mentioned DS as a key force for change within the company. It is especially true with the UN SDG measure as exemplified in the following quote from BC:

So that has been quite interesting. Then about the sustainability thing. We had a VP in business finance, and I think it was five years ago, and he stepped into my office one day when he had had a discussion with [DS] and her team, and they would start to do some reporting there. And he said [BC], can you please help [DS], but promise me do not spend too much time on that. Well, I was connected to [DS] and then we sat together and discussed this topic that they would like to map our revenue and how much contributed to these three goals and we discussed how we can do that and well I didn't keep my promise because we spent a lot of time on that.

This quote shows how DS was the one who initiated the whole measure and also convinced the finance department to dedicate one employee to her so that she would be able to implement it. Another aspect of this quote is how the internal sensemaking of sustainability has shifted from the time when this happened a few years ago, to today. When this happened, sustainability was something that employees within finance should not spend *too much time on*, while it is now considered a key topic, which is exemplified later when analyzing how the award changed the internal culture and identity. That it is DS that is the key force for this change is further supported by a quote from DC:

Yes, [DS] has pushed the issue heavily to the executive floor and board. She has led all the discussions with ratings agency and also externally pushing it.

DC mentions that DS has pushed the issue both externally and internally, which is supported by SVP2 mentioning that he believes the external communication is part of why they won the award, as DS both implemented the UN SDG measure, and made it visible for external stakeholders. This shows that DS has been sensegiving, not just internally, but also externally, and the fact that DS' role is common knowledge throughout the company shows how her sensegiving has initiated the intended sensemaking response throughout the organization. The next step is then to understand why DS is sensegiving, and why she has been able to initiate change. Like previous interviewees, SVP points out DS as the internal champion:

No, no, it's internal. It's the fact that we have senior dedicated people to lead our sustainability journey that has made the difference. Because there are people coming to work every single day, just focusing on this and that comes back to, you know, if it gets measured, it gets done. You have to put the resources behind it, else it won't come naturally, then it will take too long. [...] And the person who has been here for the longest throughout the journey is [DS] who is leading this sustainability work and has been doing for many years. And she's also a spokesperson, if you look at her broader interest outside of just her work when it comes to sustainability questions.

Except for pointing out DS as the internal champion and showing how leadership's decision to hire *senior dedicated people* acts as a sensemaking cue about the importance of sustainability, SVP further elaborates on why she believes DS is sensegiving to the rest of the organization. According to SVP, DS' reasons are intrinsic, evidenced by her sustainability commitments outside of her day-to-day work. This statement is reinforced by DS herself: *All I care about is, do I make a change and is that change as big as it can get.* The fact that DS' sensegiving is perceived as stemming from intrinsic values might legitimize her sensegiving and thus facilitate the intended sensemaking response with its recipients around the organization.

To summarize, even though the sustainability measurement and work can not be attributed to a single person, the interviewees recognize the role that the internal champion has played in enabling SustainCo's sustainability measurement and work, and also recognize DS as the one whose sensegiving process has initiated it, both internally and externally. Furthermore, the fact that DS' sensegiving process is perceived as genuine, might legitimize her sensegiving and

facilitate the intended sensemaking response. In addition, the fact that leadership has dedicated senior personnel resources to sustainability, hired DS, and has given her the mandate to lead this change, acts as a sensemaking cue helping employees make sense of leadership's commitment to sustainability. The fact that SVP recognizes this, shows that leadership's sensegiving process has initiated the intended sensemaking response, at least at the more senior levels of SustainCo.

4.2.2 Product/purpose sustainability fit

Multiple interviewees emphasized the alignment between SustainCo's products/purpose and sustainability as a key factor enabling SustainCo's sustainability measurement and work. SVP2 mentioned the product aspect:

So it's embedded in what we do that we work with naturally occurring microbes. And there's not so many companies that have, you know the core of their DNA is basically something that is natural and sustainable, right?

According to SVP2, SustainCo's sustainability measurement and work is facilitated by its products which are *natural and sustainable*. SustainCo's products thus act as sensemaking cues for the employees, signaling the sustainable nature of the company. This helps employees make sense of SustainCo as a sustainable company, enabling a sustainable organizational identity, evidenced by SVP2's statement about sustainability being a core part of SustainCo's DNA. In addition, SVP elaborates on the product aspect and compares it to her previous employer:

I've been in this industry for a while, so I would say if you compare to my previous company, they could have done the same, but haven't taken the journey as far [...] I think it fits very well into the product range that [SustainCo] is working with. I mean we work with naturally occurring solutions and everything we do is measured. [...] So yes, the product fits perfectly.

Although SVP recognizes the products as an enabling factor, when she compares SustainCo with her previous employer selling similar products, she believes SustainCo has taken an extra step towards becoming sustainable. This shows, that in addition to seeing the products as sustainable, SVP recognizes sensegiving from leadership positioning SustainCo as having a higher sustainability commitment than competitors. In addition to highlighting the product aspect, DC mentions culture, purpose, and branding:

It is due to [SustainCo's] long history of sustainable solutions and using sustainable products instead of only focusing on profit. Of course, you need to focus on financials and you cannot do it

all. But, it is due to the culture in the company from the start. The history is working with dairy and cows, other livestock. So, it is ingrained in how we profile ourselves.

According to DC's statement, SustainCo's history and culture help employees make sense of SustainCo as a sustainable company, creating shared sensemaking and a sustainable organizational identity, enabling SustainCo's sustainability measurement and work. Furthermore, an interesting part is the comment about not only focusing on profit, which is a theme that will be further discussed in the financials vs non-financials part.

To summarize, all interviewees make sense of the products as sustainable, and the products seem to act as sensemaking cues leading to a shared sensemaking process of the organization as sustainable. This identity has enabled SustainCo to commit to additional sustainability initiatives, further strengthening the identity, enabling SustainCo's sustainability measurement and work both directly and indirectly. However, based on SVP's statement comparing SustainCo with her previous employer, it is reasonable to believe that just having sustainable products and purpose might not be enough to create this sustainable organizational identity. It is possible that this identity existed unconsciously before it was explicitly raised by other factors. These connections between different factors will be further considered in the discussion.

4.2.3 Award/External recognition

Almost all the interviewees compared the internal sustainability focus and culture prior and post the award as the world's most sustainable company, such as DC:

Prior to the award there were fewer people working on it and still some people were slow to follow, thinking that the people pushing the issue were tree huggers. Now they have followed suit and a lot of people recognize that it is important.

DC's statement highlights the shift in internal culture. Before the award, the sensegiving processes of DS and other internal actors were not invoking the intended sensemaking responses, as these actors were seen as *tree huggers*. However, the award seems to have acted as a sensemaking cue for the organization, increasing organizational sensemaking, leading people to *recognize that it is important*. This difference was further elaborated on by SVP2:

And you know if we are to be a bit tough on ourselves, then I think in the case of [SustainCo] we almost kind of discovered that we were super sustainable you know a few years back. I was like

whoa guys you know when we won that award, where did that come from right, and then you kind of need to say OK we prepared to brand ourselves on it right. [...] but the good thing is that we are almost 150 years old as a company and what we're doing is based on something you know sustainable.

Even though the external award was a recognition for already existing sustainability work within the organization, SVP2 argues that at the time this sustainability work was not part of the shared sensemaking, even though he emphasizes SustainCo's long history of sustainable products, connecting back to the product/purpose fit section. In addition to the award acting as a sensemaking cue internally, SustainCo felt the need to use it to sensegive externally as part of SustainCo's brand, increasing the internal and external awareness, strengthening the sustainable organizational identity. This is further supported by evidence of leadership adopting small everyday sensemaking cues such as mandatory desktop backgrounds mentioning the award, and teams video backgrounds signaling sustainability, such as green pastures and solar panels. Based on the interviews, these cues contributed to effective sensemaking processes making sense of SustainCo as a sustainable company since both BC and SVP spontaneously mentioned these as examples when discussing SustainCo's sustainability commitment. HC elaborates on the internal/external aspect further:

[SustainCo] received the Award, being number one in [year] and then that has of course fueled the need for for actually leveraging on that, and that has fueled the need to have a more you can say ambitious and more clear climate strategy because a sustainable company of course also needs to have climate strategy.

Based on HC's statement, SustainCo leveraged the award externally and internally, branding SustainCo around it while improving the internal sustainability measurement and work to match the external view.

To summarize, the award acted as a sensemaking cue, raising awareness internally and legitimizing the sensegiving process of DS and her team. Thus, the award can be seen as external sensegiving increasing the sensemaking of employees throughout SustainCo, contributing to the creation of the organizational identity, and enabling improved sustainability measurement and work. However, it is important to keep in mind that the award was received when SustainCo was already considered the most sustainable company in the world. Thus, the award had no part in the

external recognition of SustainCo as the world's most sustainable company, but was a strong contributing factor to the creation of a sustainable organizational identity, and has been an enabling factor for sustainability measurement and work since.

4.2.4 Anchoring sustainability work across the organization

Another factor enabling the sustainability measurement and work at SustainCo is the fact that SustainCo is anchoring the work with the UN SDG measure across the organization. According to HOS, it is a deliberate decision to let other departments be the owners of certain processes. It started with BC from finance when integrating the UN SDG measure with revenue and instead of saying x% of our products are contributing, SustainCo measured it in financial terms which would not be possible without integration with the finance division. Furthermore, SustainCo has now integrated the UN SDG target with their bank loans as stated by BC:

And then we have actually made an agreement with the bank that we get to pay a little bit lower interest, but if we do not get the 80% then we have to pay a high interest.

By integrating the measure with their loans, SustainCo's leadership further anchors the sustainability measurement and work across the finance & treasury divisions, sensegiving to the rest of the company that the sustainability measurement and work is something that everyone is going to contribute to, which helps make sense of sustainability throughout the organization. This might counteract thoughts of greenwashing because a larger part of the company becomes aware of the work that is done and does not just read about it in press releases, which contributes to the sustainable organizational identity. Furthermore, the decision to link interest rate to sustainability measures serves as a sensemaking cue as leadership "puts its money where its mouth is", contributing to the above mentioned sensemaking process of employees to counteract greenwashing. Furthermore, SustainCo further integrates the work with the measure as mentioned by SVP:

Correct and I mean it's led by the sustainability group, but it's very sort of supported from the businesses as well because we are the one providing the readout of the sales and so forth. So, we are in collaboration with the sustainability group.

This integration facilitates companywide shared sensemaking, strengthening the sustainable organizational identity, as employees feel that they *are in collaboration*. Furthermore, SMS,

states that this is one of the key differentiators of SustainCo and enables more informed decision making:

I can't talk for all companies, but for some of the companies I know, I think this is a clear differentiator [...] I think it's a good way to anchor responsibilities where it actually happens with people who understand the categories, understand the suppliers. So I think it gives more insight.

However, even though the measure is anchored across the organization, there are several areas where it could be anchored further, as exemplified by BC:

If you use this [bacterial] culture instead of this culture, it is based on something that is supporting the SDGs much more. Of course, it means that we will have an increased share, but of course it's not only due to that. It is because it also creates some behaviors out in the world and that's of course the most important thing. So therefore, we will actually try to make it even more used in the organization. So, they can also act on that when they have the customer meetings.

According to BC, when the project referred to in the quote is finished, salespeople in the commercial organization will be able to see which products contribute to the UN SDGs in real time and use it in sales meetings with customers. This would also change how the commercial division works with sustainability, from aiding the sustainability team in measuring, to actually using sustainability commercially as a competitive advantage. This would help employees in the commercial division make sense of how they can work with sustainability, increasing the authenticity of the sustainability measurement and work, and thus strengthen the sustainable organizational identity. This authenticity is already showcased in how BC makes sense of the project, because even though this new function might increase the result of the UN SDG measure, the real benefit, according to him, is to influence the behavior of the customers.

To summarize, the fact that the work is anchored across the organization and not just in a separate sustainability department helps employees around the organization make sense of the importance and authenticity of the sustainability measurement and work. Furthermore, the fact that the outcome of the UN SDG measure is tied to financial consequences in the form of interest payments authenticates this sensegiving and strengthens the sensemaking response. However, there are still several areas such as investments and compensation where the measure is not yet fully integrated, leading to a fragmented sensemaking process where the level of involvement,

and consequently awareness, differ between divisions. This will be further discussed when discussing factors that hinder the sustainability measurement and work.

4.3 Factors hindering sustainability measurement and work

4.3.1 Emphasis on financial vs non-financial measures

According to interviewees, because SustainCo is a listed company with financial obligations towards shareholders, there is a tension between financial and non-financial measures, which was mentioned by SVP:

Financial measures are, of course, for any listed company always on top. Then the softer measures come second. But it's spoken about as an important aspect for the entire company.

Like SVP, HC emphasizes the aspect of being a listed company: *[SustainCo] is a [stock index] company, a listed company, and bottom line is of course the most important.* This seems to act as a sensemaking cue for employees making sense of why financials need to be prioritized.

However, SVP still feels that non-financials are communicated as important which points to competing sensegiving from leadership, leading to competing sensemaking for employees needing to balance the two types of measures. SVP2 believes that this balance will be harder to manage going forward:

I think we have up until now picked the low hanging fruits. So, if you can do an energy renovation of a production plant where you have a payback that is super short because you also suddenly consume less, it is not a difficult decision for the CFO to make. I mean so you spend the 2 billion, but the first year you save 1.8 billion, then within 1 year and 2 months it's paid back. Easy decision, right? The problem becomes now where we need to do investments that have a longer payback, also longer than we would normally accept.

According to SVP2, initiatives taken so far, have been beneficial both through a financial and sustainability perspective, *low hanging fruits*, hiding the tension and competing sensemaking between financial and non-financial measures. However, going forward, SustainCo's balance will be tested since the initiatives that need to be taken might be less attractive financially, creating tension with the sustainable organizational identity. Recently joining SustainCo from a private company, HC agrees with SVP2:

And you always need to be mindful of the EBIT margin. It should have a positive effect to do both, should go hand in hand. It's a cliché, but that's it really what I see here in [SustainCo]. It

should make sense from many lines. Bottom line and purpose line, etcetera. And then you have a very nice spot and then you can press ahead on the sustainability.

HC makes sense of the prioritization that as long as the financial criteria is satisfied, you can *press ahead on the sustainability*. She further emphasizes the difference between SustainCo and her previous private employer: *So, I would say, compared to the company I was in before, [SustainCo] is not so ambitious, but as a listed company, it's super ambitious.*

This supports the observation that the public nature of the company acts as an important sensemaking cue for employees when making sense of the “correct” balance. In addition, DC agrees with HC that SustainCo has a balance more geared towards non-financial measures than comparable companies:

Financials are still highest in decision-making and in awareness amongst investors and stakeholders. [SustainCo] is still really high in the balance between financials and non-financials compared to other companies.

Furthermore, DC believes that the reason for prioritizing financials is sensegiving from investors and other stakeholders, which is exemplified by DCO:

You can have the most wonderful Ferrari, but if there is no engine that is moving the car that is useless. It's nice to see the science behind the product or the innovation. But then if the price is not sustainable in the market, well, it's just nice.

In line with DC, DCO believes that because customers see financials as the most important factor, SustainCo must have a balance where they can provide sustainable products without needing to charge unreasonable prices.

To summarize, interviewees agree that financial measures are prioritized over non-financial measures such as the UN SDG measure. From a sensemaking perspective, this either means that there is effective sensegiving from leadership establishing that financials are more important, or there is ineffective sensegiving that non-financials are as important. However, since the most senior employees we spoke to (HOS, SVP, SVP2, DS) all agree that financials are more important, it is most likely the former. The reason for this seems to be that financials are prioritized by investors and other stakeholders and the fact that SustainCo is a public company acts as an important sensemaking cue helping employees making sense of the balance. It is, however, important to note that interviewees still recognize sensegiving from leadership

emphasizing the importance of non-financial measures, meaning that even if they make sense of financials as more important, they still make sense of SustainCo as having a more sustainable balance than comparable companies, upholding the sustainable organizational identity. This tension is an example of employees' competing sensemaking based on split sensegiving from leadership.

4.3.2 Compensation structure

The tension between financial and non-financial measures was further observed when discussing compensation structures and performance evaluation, with SVP stating that she does not have any compensation linked to sustainability measures:

No, it's not part of our goal setting in the business departments, which is interesting because I know it's part of the goal setting for the corporate leadership team or part of the corporate leadership team. But in the business areas, it's not. So, I would say that's something you can do as well to also increase the focus on this.

Furthermore, when asked if a change in compensation structure would alter her actions:

Yeah, I think it would. It would have an effect. It would raise the awareness even more. I mean what gets measured gets done. So as soon as you put it on paper it is going to be more important.

This structure serves as a sensegiving cue from leadership, leading to SVP making sense of the non-financial measures as less important, because they are not included in her performance evaluation. In addition, potential sensegiving from leadership in the form of inclusion of these measures in her compensation would alter her actions. However, SVP does mention that the leadership team is evaluated on sustainability metrics which could show that it is an ongoing process for the rest of the company, or that it is used for communication purposes in the form of external sensemaking cues. Furthermore, SVP2 exemplifies how these measures work:

And just to give you a few examples, actually, last year our corporate leadership team, they were measured on whether we, that basically means I, established a program around Scope 3 emissions. So that was a pretty hard target. And so yes, we made it. So we created the program layout that was for that target. [...] And this year, I and my team, we are being measured on whether we progress as planned on our program. So, it is built into my global sourcing function, but also to my own targets.

SVP2 mentions that although the compensation was linked to a difficult target, which in this case was establishing a Scope 3 emissions program, the target was successfully achieved. This is an example of the statement *what gets measured gets done* by SVP and points to the sensemaking that is initiated when linking compensation to sustainability targets. Furthermore, SVP2 points out how his compensation is tied to some sustainability targets this year, but not the UN SDG target. This potentially shows the beginning of a change in compensation structure. To summarize, by having most compensation tied to only financial measures, leadership is sensegiving the importance of financials to employees, and judging by SVP's response, it directly affects which measures are prioritized, which hinders sustainability measurement and work.

4.3.3 Commercial organization vs rest of company

Even though some parts of the sustainability work are anchored across the organization as discussed earlier, there is a visible divide between the commercial organization, and other parts of the organization, which is a sign of fragmented sensemaking. Even if all interviewees agree that the general understanding of sustainability is high across the organization there seems to be a belief that the commercial organization weigh financial measures higher than other divisions, as pointed out by BC:

You can say the commercial organization of course is very, very focused on delivering results, meaning selling to the customers. That is of course priority number one from the commercial organization. But of course, if it is not only whether we grow 5 or 8 or 10%, but also if we are able to convert to a much more sustainable platform and that will also be a measure that they are measured on. Well then of course it will also increase the focus from their side. But I feel that the commercial organization is very focused on this.

BC points out the fact that the commercial organization is very focused on selling to customers and less on other aspects, but also points out the reason for this and a potential solution in the form of including sustainability measures in their compensation program, as mentioned in the compensation section. However, there are different views on this topic as HOS also believes that there are differences between different divisions but the reason for that is different:

But then there are departments that doesn't have so much influence on the bigger climate and environmental impacts. And sometimes you can see that those guys that are not working on a daily basis so closely with the topic can sometimes be the ones that feel that we should do more

and move more ahead and then feel a bit of action lacking. So sometimes there is a bit of a gap. We have managed to activate quite a lot of the company, but if there's people sitting in some parts of the organization that we have obviously not meant to activate that directly and then they can feel a bit impatient.

HOS' view is in line with BC as it is somewhat self-critical and mentions how the lack of some measures might mean that other divisions are less involved in the sustainability work leading to fragmented sensemaking. However, compared to BC, HOS sees the other parts of the organization as wanting to become more involved, just that they have not yet been given the chance. Even if HOS does not explicitly mention the commercial organization in his quote, SVP from the commercial organization confirms HOS' view:

I would love to take this to the next level. Because today it's a lot of what we do internally at the company, but I think we can use this more as a way of setting the course for our customers when they start their sustainability journey, so that's what I would like to do. You know, as a next step. How do we take it from our internal work to our customer and become really beneficial for our customers?

SVP requests more integration with the sustainability organization to be able to effectively help her customers, which is exactly what BC is working on as mentioned in the “anchoring of sustainability work across the organization” section.

The evidence above provides indications of fragmented sensemaking, both between different divisions, but also between different levels of the company, as SVP has a more similar view with HOS than what she does with BC. While BC makes sense of the commercial organization as only focusing on financials, SVP makes sense of other parts of the company as not doing or involving her enough. With this fragmented sensemaking now hindering the sustainability measurement and work, if these divisions were to communicate and work together more to implement their ideas, it would strengthen the shared sensemaking contributing to SustainCo's sustainable organizational identity. However, an important common theme across the interviews is that there is a shared sense that the company can do more than it is doing today which is proof of how the sensemaking around sustainability has cemented a place in the organizational identity across divisions and levels, but also that there are things SustainCo can do to improve its sustainability measurement and work.

4.3.4 Target set at 80%

Another aspect hindering the progress with the UN SDG goal is that the target is set at 80% of revenue which have been reached every year since the measure was implemented. The fact that the goal is reached is shown in how the employees make sense of the measure. SVP stated that since almost all of her products are contributing to the goal and her division's revenue contribution to the UN SDGs is approximately 90%, there is no need for her to think about improving it. However when asked if she would improve it if she had a goal of 95% and it was part of her performance evaluation she answered:

Yeah, I think it would. It would have an effect. It would raise the awareness even more.

This statement shows that SVP makes sense of the importance of different measures partly based on if she is evaluated on them or not, and partly based on the target level. The part about compensation and evaluation has been discussed previously, but the fact that the goal is lower than the current outcome acts as a sensemaking cue from leadership helping employees make sense of their ambition with the measure. This could be exemplified in financial terms with a company having an EBIT goal of 14% while having a five-year average EBIT of 16% and employees making sense of the target as not having to focus on EBIT anymore. While the EBIT example is hypothetical, SustainCo has a target to expand their EBIT margin over the coming years, highlighting the difference in ambition between EBIT and the UN SDG target (SustainCo, 2020). By increasing the UN SDG target, leadership would sensegive about the importance of this measure in particular, and sustainability in general. However, when investigating the issue more in depth, there seems to be a rationale behind the target setting and it can be summarized by HOS' statement about what he focuses his work on: *where I get the most sustainability for the lowest effort*. He further elaborates with:

Coming back to the discussion and is 80% the right target level. So I mean, you could be an activist and say we should go for 100, right? But I'm not sure whether that's the right approach to it. So, I think there's some balances there that needs to be respected and that we need to just follow, be aware and keep on discussing, I think.

This statement reconnects to the balance between financials and non-financials discussed earlier, where you could focus everything on non-financials but there needs to be a balance according to the interviewees. Furthermore, that some products are not contributing to the UN SDGs does not imply that they are harmful, just that SustainCo is not able to prove that they are actively

contributing to the goals. One example that is used is a bacteria culture that makes the cheese on pizza browner, it does not contribute to the target, but that does not mean it is unsustainable. If this is true for all products not contributing to the target, or just a way for employees to make sense of the target setting is not clear. However, this seems to be the accepted view across the company with DC making sense of the target in the same way:

UN SDG is only one element, now we will be placing a lot of focus on other element, annual report, new important non-financial measures will have a lot of attention. Might not be able to progress SDG ratio due to other products in portfolio. The correct use and integration of new and old measures may lead to further and more important success. [...] SDGs are only one aspect, which we have succeeded with, so it is done.

DC's quote is in line with HOS'; however, it also shows how the current target is hindering more progress because the employees make sense of the target not being raised as evidence of them having *succeeded* and that the measure is *done*. This is also showed by the green bank loans' structure: if they go below 80%, there is a penalty, but if they go above for example 85%, there is no reward. It is thus reasonable to believe that the target level hinders any actions with detrimental consequences on the outcome of the measure, but also hinders any large initiatives improving the outcome.

To summarize, the fact that the target is set at a reachable level acts as a sensegiving cue from leadership about their ambitions with the UN SDG measure, leading to employees making sense of the measure as *done*. However, because this measure is only one of many in SustainCo's sustainability work, even though the target hinders more work with the UN SDG measure, it might enable improved sustainability work as a whole, by prioritizing other areas. This transforms the sensegiving cue from leadership to instead helping employees make sense of the fact that other areas are of higher priority than the UN SDG measure. However, this is only true if the target setting for other sustainability measures are more ambitious.

5. Discussion

Through a qualitative analysis of the interviews with employees from SustainCo, this paper has found eight common factors that are affecting the sustainability measurement and work of SustainCo. Four of these factors are enabling SustainCo's sustainability measurement and work,

while four are hindering it. This section relates these factors to existing literature to formulate the contribution this paper has made to the research field.

5.1 Discussion of factors enabling sustainability measurement and work

SustainCo's product/purpose sustainability fit is in line with previous research within the area which concludes that it is easier for companies with a business model centered around sustainable products to integrate sustainability measurements in their organization (*Contrafatto & Burns, 2013; Hristov et al., 2021; Hristov & Chirico, 2019; Stubbs & Higgins, 2014*). Seeing this matter for SustainCo's sustainability measurement and work, we highlight the importance of a company's product/purpose sustainability fit. This factor decreases the friction between financial and non-financial measures known as the sustainability paradox, by aligning financial and sustainable incentives, which is in line with previous research (*Argento et al., 2022; Durden, 2008; Larrinaga-Gonzalez & Bebbington, 2001*). Furthermore, since this factor facilitated the integration of sustainability measures, it also facilitated the sensegiving of the internal champion, DS, and the consequent sensemaking throughout the organization. The effect that an internal champion can have throughout the organization is in line with previous research on the area, claiming that one key reason for excelling in sustainability reporting is internal sensegiving from one or more key individuals (*Ball, 2005; Ball, 2007; Egan, 2019; Kaspersen & Johansen, 2016; Lodhia & Jacobs, 2013; Massa et al., 2015*). Furthermore, we established that the internal champion's motives in this case was due to intrinsic reasons, also showing a commitment to sustainability outside of work, which is in line with some of the previous papers noting the same tendency (*Argento et al., 2019; Egan, 2019*). In addition, because of how this was brought up in interviews, we believe that this intrinsic motivation made her sensegiving more authentic, helping employees make sense of the importance of sustainability throughout the organization. This is similar to the observation that companies disclosing sustainability as a symbolic action fails in legitimizing their work to external stakeholders (*O'Dwyer, 2002*). Furthermore, the award SustainCo received can be seen as a cue enabling shared sensemaking throughout the organization and the creation of a sustainable organizational identity. This specific example with an award is a new addition to accounting research, but is in line with sensemaking theory and how a cue initiates sensemaking (*Weick et al., 2005*).

By integrating the work with the UN SDG measure, SustainCo decreases fragmented sensemaking between divisions (*Argento et al., 2022*). Furthermore, the UN SDG measure is a control system incorporating both a financial and a non-financial measure (revenue and UN SDG goals). It is, further linked with financials through the finance department's involvement and its integration with bank loans. This integration across the organization increases sensemaking, decreases potential thoughts of greenwashing, and provides legitimacy to the sustainable organizational identity, which is in line with *Contrafatto (2014)* emphasizing the need to create common meaning to institutionalize a sustainable organizational identity. By connecting this sustainability measure with financials, SustainCo provides a potential solution to the sustainability paradox (*Argento et al., 2022; Durden, 2008; Smith & Lewis, 2011*).

The above enabling factors are all in line with what previous research has found, however, in SustainCo there is a cause-and-effect relationship between these measures where they contribute to each other, not raised in previous research. We believe that the factors that, by sensegiving or acting as sensemaking cues, enable improved sustainability measurement and work, can be plotted on the following timeline:

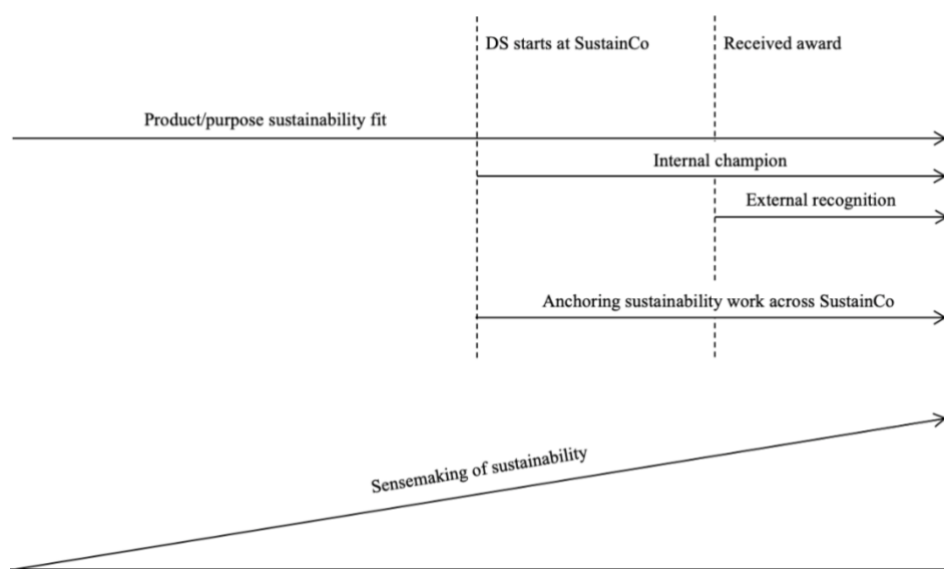


Figure 3: Timeline of interconnected enabling factors

Following the timeline illustrated in *Figure 3*, SustainCo has always been a sustainable company because their products are sustainable on their own and even if their sustainability work has not been explicit or conscious, it has always been present. This means that SustainCo would have

scored high on their own measure related to the UN SDG throughout its history. However, throughout its history there has not existed the shared sensemaking around sustainability that is creating the sustainable organizational identity that is present today. According to the interviewees, the clear catalyst that changed this was when DS started at SustainCo and helped internal as well as external actors make sense of sustainability through her sensegiving. Furthermore, by implementing measures such as the UN SDG measure and communicating it externally, SustainCo won the award as the world's most sustainable company. This award then served as a cue, enabling sensemaking both externally and internally, making sense of SustainCo's sustainability performance, which further accelerated the sustainability measurement and work, leading to the creation of a sustainable organizational identity. Furthermore, since DS started at SustainCo and implemented measures such as the UN SDG measure, another key enabler of the work has been the conscious choice to anchor sustainability work throughout the organization. This has helped employees around the company make sense of SustainCo's sustainability measurement and work, and decreased fragmented sensemaking between divisions, although some signs of it are still present.

To summarize, the individual enabling factors are all in line with previous research within the area, but the timeline of interconnected factors serves as a unique contribution presenting an explanation of how SustainCo has managed to increase sensemaking throughout the organization leading to a sustainable organizational identity and enable improved sustainability measurement and work.

5.2 Discussion of factors hindering sustainability measurement and work

Compared to the factors enabling, there is no clear cause-and-effect connection between the four factors hindering, however, there is a clear common denominator which is the prioritization of financial vs non-financial metrics. Even though sustainability is a key part of SustainCo's strategy and integrated into multiple areas of the company, interviewees believe that financial metrics is the top priority. This balance between financial and non-financial metrics is the root of the discussion between those who see sustainable investments as destruction of shareholder value and those who see it as a potential way to a long-term competitive advantage (*Barnett & Salomon, 2006; Carroll & Shabana, 2010; Friedman, 1970, as quoted in Barnett & Salomon,*

2006; Porter & Van Der Linde, 1995). It is important to recognize that SustainCo has been externally recognized for its sustainability measurement and work, but that the tensions are still present, and without laying any judgement on the “right” balance, the factors hindering further improvements all relate to this balance.

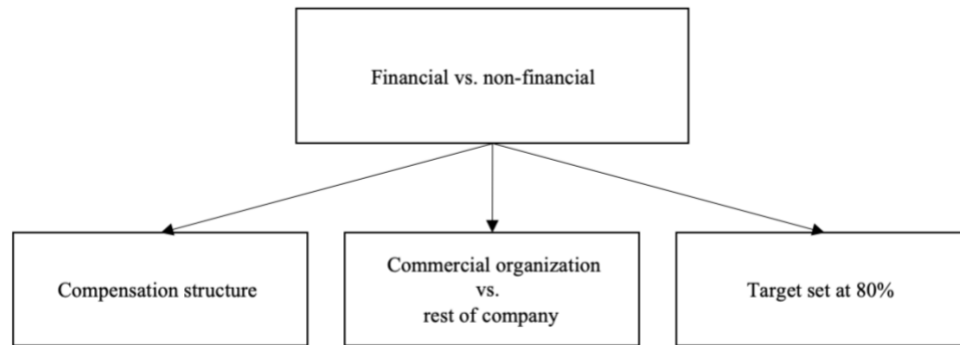


Figure 4: Connection between factors hindering sustainability measurement and work

Balancing financial and non-financial measures is an example of competing sensegiving, leading to the sustainability paradox, which has been highlighted by previous research (Argento *et al.*, 2022; Gond *et al.*, 2012; Riccaboni & Leone, 2010). Even though SustainCo employees are part of the shared sensemaking process around sustainability, creating a sustainable organizational identity, there are still signs of the sustainability paradox, evidenced by the prioritization of financial measures (Argento *et al.*, 2022; Durden, 2008). However, even though the interviewees were aware of this, they still emphasized the sustainability measurement and work done by SustainCo, especially in relation to the long-term strategy (Shrivastava & Addas, 2014; Shrivastava & Hart, 1995; Smith & Lewis, 2011). The fact that employees at SustainCo, a company externally recognized for its sustainability measurement and work, are able to make sense of SustainCo as a sustainable company while clearly describing how SustainCo prioritizes financial measures, is a contribution to the existing research. One explanation for how this has been made possible is that SustainCo has often been able to align financial and non-financial incentives because they have focused on the *low hanging fruits*, avoiding competing sensemaking and the sustainability paradox (Argento *et al.*, 2022; Durden, 2008). This conclusion is further strengthened by leadership’s sensegiving around the 80% target on the UN SDG measure, hindering further work with the measure, while potentially improving work in other, more cost-effective, areas.

Furthermore, the fact that employees within the commercial organization, who have the greatest possibility to alter the products sold, are not measured on sustainability measures, but only on financial targets further strengthens the observation that sensegiving from leadership is focused on financial measures, which is in line with previous research concluding that it is rare to base compensation on sustainability measures (*Hartikainen et al., 2021; Maas & Rosendaal, 2016*). The employees themselves, believe that the inclusion of sustainability metrics in their employee performance review and compensation would increase awareness of sustainability and performance of the measures, which is in line with previous research (*Winschel & Stawinoga, 2016*). In addition, employees in the commercial division seems to want to do more than what is already done, similar to what *Onkila et al. (2018)* observed. On the same topic, the division between the employees in the commercial organization and other parts of the organization is an example of fragmented sensemaking and is a contributing factor to the sustainability paradox (*Argento et al., 2022*). In addition to observing differences in sensemaking between different levels of the organization, there are signs of fragmented sensemaking between employees in different divisions.

To summarize, the key contribution is that even a public company externally recognized for its sustainability commitment, with companywide shared sensemaking about how sustainable it is, prioritizes financial over non-financial measures. Furthermore, one explanation of how this is done is that SustainCo has been focused on finding ways to align financial and non-financial measures to avoid competing sensemaking and the sustainability paradox. This solution is facilitated by some of the enabling factors mentioned previously such as product/purpose sustainability fit. Another contribution is the presence of fragmented sensegiving between different divisions in such an organization, partially due to lack of communication and lack of non-financial measures within evaluation/compensation.

5.3 Discussion of interlinkage of factors

Just like with competing sensegiving, there is a competition between factors enabling and factors hindering SustainCo's sustainability measurement and work. While the prioritization of financial measures, and the related factors, somewhat hinder SustainCo's sustainability measurement and

work, the factors enabling has increased the organizational sensemaking around sustainability profoundly, improving the sustainability measurement and work. This shows that despite employees making sense of non-financial measures as less important than financial ones, companies can increase their sensemaking around sustainability, and consequently improve its sustainability measurement and work.

6. Conclusion

This section summarizes the contributions this paper has made and then discusses the limitations of the paper and what further research can be done within the area to confirm or deny the applicability of the contributions this paper has found, as well as further develop them.

6.1 Contribution

This paper addresses the research gap of engagement studies within the field of accounting and sustainability, focused on internal factors and the UN SDGs, as called for in multiple previous research articles (*Adams & McNicholas, 2007; Bebbington & Unerman, 2018; Song et al., 2022; Thijssens et al., 2016*). The main contribution of this paper is the interdependent timeline of enabling factors which has increased the organizational sensemaking around sustainability and enabled improved sustainability measurement and work, as exemplified with the UN SDG measure. Because of its product/purpose sustainability fit, SustainCo had a more advantageous starting point than most companies; then the actions of an internal champion increased sensemaking throughout the organization and led to the implementation of new measures; and finally, the external recognition as the world's most sustainable company served as a sensemaking cue increasing shared organizational sensemaking and facilitating the establishment of a sustainable organizational identity. Even though there is previous research on the individual factors, we have found no research that links together these factors to explain how the case subject company has been able to improve its sustainability measurement and work. Furthermore, this paper shows that the tension and competing sensemaking between financial and non-financial measures is present in a company that has been externally recognized as the world's most sustainable company, and that it is possible to increase sensemaking and improve sustainability measurement and work while still prioritizing financial measures. Finally, this paper has contributed to the literature on accounting, sensemaking and sensegiving, showing how

sensemaking theory can help explain the tensions within companies, such as the tension between financial and non-financial measures.

6.2 Limitations and further research

Regarding the limitations of this study, the authors acknowledge that this paper only studies one public company, and within this company focuses on one measure, and hence all conclusions are subject to the need for further research to confirm or refute the findings. Furthermore, the fact that only 10 interviews were held also limits the applicability of the findings within a company with >3,000 employees. Due to these limitations, we call for further engagement studies within this area to study the enabling and hindering factors in other companies and potentially either extend our simplified model of enabling factors, or refute it.

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Appendix

Appendix 1 – Interview Guide

Background

- How does your role relate to the sustainability work that SustainCo is doing, and more specifically to the “gross revenue contribution to the UN SDGs” measure?
- How is the general understanding of SustainCo's sustainability work throughout the company?
 - How has it evolved since implementing the measure?

Usage

- Are you evaluated on any sustainability measure? How?
- How much emphasis would you say is placed on sustainability measures like the UN SDG compared to financial ones
- How is the UN SDG measure integrated within the organization today?
- Do you believe the UN SDG measure can be integrated into more ways?

Challenges and possibilities

- What could be done for you to place a larger emphasis on the measure
- What could be done for the company to place a larger emphasis on the measure
- Do you see a difference in internal and external communication with how much emphasis is placed on financial vs non-financial metrics?