Stockholm School of Economics
Accounting & Financial Management
Bachelor Thesis Fall 2023

Sustaining Sustainability

A qualitative study on how a company's performance management system (PMS) is used to navigate the co-existing pressures of sustainability and profitability

Abstract

This paper examines the escalating pressures on organizations to adopt sustainable practices in response to the climate crisis. The urgency to address sustainability concerns has driven the enactment of reporting legislation, necessitating an exploration of challenges on this topic. Amidst growing demands for sustainable practices, there is a literature gap concerning the practical use of Performance Management Systems (PMS) in response to sustainability pressures. This study aims to fill this gap by investigating how organizations navigate the simultaneous pressures of sustainability and profitability using their PMS. Drawing upon institutional theory, this study explores the co-existence of sustainability and profitability logic within an organization. The research underscores the crucial role of Sustainability Control Systems (SCS) in facilitating the stickiness and spread of sustainable practices by structurally managing compromises. Additionally, we found that to sustain sustainability there is a need to create a business case for it. Furthermore, we found that in situations of conflicting logics, if sustainability KPIs can be significantly improved, managers are willing to tolerate short-term profitability decline but not a long-term one.

Authors: Charlotta Hallin (24969), William Bramberg (25404)
Supervisor: Emilia Cederberg, Assistant Professor at the Department of Accounting

---

Keywords: Sustainability, Performance management systems, Sustainability control systems, Institutional logics
Acknowledgments: We want to give our sincerest gratitude to all interviewees for their valuable contribution to this study. We also want to thank our supervisor Emilia Cederberg for her imperative guidance and support.

Table of Contents

1. Introduction

Organizations are facing stronger internal and external pressures to engage in sustainable practices, prompted by the imperative to address the urgency of the climate crisis. The increasing societal worry regarding the social and environmental effects of businesses has resulted in the implementation of various rules and regulations pertaining to the disclosure of sustainability information (Gray, 1992). As society confronts the unprecedented challenges posed by climate change, the urgency to address sustainability concerns affects contemporary businesses. This has pressured firms to re-evaluate their operational paradigms and incorporate sustainability considerations into their core business strategies. The introduction of compulsory sustainability reporting frameworks is increasingly prevalent on a global scale, further demonstrating the need for organizations to address these issues.

As companies face growing demands to embrace sustainable practices, there has been a surge in literature examining the application of Sustainability control systems (SCS) and how they should successfully be implemented into companies' performance management systems (PMS) (e.g. Arjaliès & Mundy, 2013; Beusch et al., 2022; Crutzen et al., 2017; Gond et al., 2012; Hahn et al., 2015b; Parker & Chung, 2018). There is a gap in the literature pertaining to the *use* of the PMS. For example, Wijethilake & Ekanayake (2018) state that previous literature focuses their attention on the *design* of the PMSs but not on how they are *used* to respond to sustainability pressures and demands. This study aims to address this gap.

As mentioned, in recent years sustainability has been increasingly integrated into an organization's strategies, hence organizations must address multiple demands simultaneously while also navigating conflicting goals of stakeholders (Hahn et al., 2015). We argue that gaining insight into the influence of co-existing demands on the application of PMS can deepen our understanding of its complexities. Subsequently, this understanding facilitates identifying challenges and tensions arising from conflicting demands and optimizing the utilization of sustainability control tools. Given the identified gap in existing literature, the thesis will explore how a company navigates itself through sustainability challenges. Thereby, the research question is formulated as follows:

How is a company's performance management system (PMS) used to navigate the co-existing pressures of sustainability and profitability?

The research question will be addressed using a qualitative research method since the interest lies in studying organizational behavior. This investigation will adopt a single case study using semi-structured interviews. The method theory used to analyze this phenomenon is institutional theory, which suggests the conceptualization of co-existing demands as institutional logics. Thornton & Ocasio, (1999) define institutional logics as "socially constructed sets of material practices, assumptions, values and beliefs that shape cognition and behavior." The logics explain taken-for-granted social prescriptions that determine what is considered legitimate organizational goals and how these goals should be pursued (Carlsson-Wall et al., 2016). The two logics that will be covered in this thesis are sustainability- and profitability logic. Furthermore, the analysis will draw upon three strategies (structural differentiation, decoupling, and compromise strategy) to manage institutional complexities using the PMS as defined by Carlsson-Wall et al., (2016). This paper thus aims to explore the relationship between the sustainability- and the profitability logic and how these demands are managed through an organization's PMS.

Our findings and contributions to the literature on sustainability and PMS are threefold. Firstly, we found that the compatibility between logics not only varies between industries and organizations, as previously stated in the literature, but it can also differ in different situations *within* the organization, which aligns with the work of Carlsson-Wall et al., (2016). Secondly, our research highlights the role of a digital reporting platform and a sustainability council within an SCS in ensuring sustainability efforts' stickiness and spread by managing compromises. Thirdly, we demonstrate how the PMS can be used to manage these compromises in situations where logics are in conflict. The practical significance lies in enhancing understanding of the situational context where sustainability logic is applied, providing insights into decision-making processes. The empirics show an important temporal parameter. In situations where sustainability KPIs can be significantly improved, managers can accept short-term profitability decline but not a long-term one. The findings also show the importance of creating a business case for sustainability in investment decisions to sustain it within the organization.

The following chapter, Chapter 2, will encompass the literature review, followed by the method theory in Chapter 3. Chapter 4 will detail the methodology used in this study, followed by the presentation and analysis of the empirical findings in Chapter 5. Chapter 6 will engage in a discussion of these empirical findings. Lastly, Chapter 7 will offer concluding remarks and propose potential avenues for future research.

2. Literature Review

2.1 Performance Management Systems (PMS)

Sustainability reporting is becoming an increasingly widespread form of disclosure by various business enterprises (Halmi & Poldrugovac, 2023). Because of the significant and recent development in sustainability reporting a growing stream of literature has explored various aspects of its implementation, effectiveness, and impact on corporate behavior. Researchers have delved into topics such as the role of different demands in shaping reporting practices (e.g, Wijethilake & Ekanayake, 2018) and the challenges faced by organizations in complying with these regulations (e.g. Esteban-Arrea & Garcia-Torea, 2022). This expanding body of literature seeks to provide valuable insights for policymakers, businesses, and stakeholders as they navigate the complex landscape of sustainability reporting and its role in advancing sustainable development.

For companies to track their performance and manage reporting requirements they can use their PMS. Firstly, it can help establish cooperation and coherence in the organization to measure its performance. One definition of the PMS is provided by Busco et al. (2008), who states that "PMS are sets of practices that support processes of strategic decision making, planning, and control". Another definition is provided by Carlsson-Wall et al., (2016), who state that a PMS can be described as a "set of performance measures that are jointly considered when making sense of the performance of an organization". Secondly, the PMS can be used to respond to different types of stakeholders' demands (Wijethilake & Ekanayake, 2018). Similarly, Carlsson-Wall et al., (2016) state that the PMS can create *concurrent visibility* for different stakeholder demands.

An understanding of sustainability reporting, concerning strategic responses to stakeholders is provided by Esteban-Arrea & Garcia-Torea (2022). They found that organizations confronted with several stakeholder demands often adopt a compromise strategy, which entails prioritizing the

disclosure of relevant subjects to particular stakeholder groups. Additionally, Herremans & Nazari, (2016) emphasize that internal management systems and associated processes are crucial for coupling sustainability with the organizational strategy. For organizations to use their PMSs effectively, they need to align their measures with their objectives. Furthermore, to truly influence managers' actions, sustainability needs to be integrated into an organization's PMS, making it an integral part of management decision-making processes (Wijethilake & Ekanayake, 2018).

A growing body of literature argues that management control is essential in supporting an organization to become more sustainable (Crutzen et al., 2017). According to Crutzen et al., (2017), despite the growing body of literature emphasizing the major role of sustainability in achieving corporate success, there is little empirical literature about intra-organizational factors of management control of sustainability. Until recently, social, and environmental accounting research has predominantly been investigating external reporting and accountability. The paper by Crutzen et al., (2017) further develops the extent to which companies have developed a package of management control mechanisms for sustainability. As sustainability gains increasing significance in the business landscape the emergence of a separate control system for sustainability, known as the SCS (Sustainability Control System), has become an integral component of the PMS.

2.2 Integration of SCS into PMS

Sustainability needs to be integrated into an organization's PMS to direct employees' attention toward it. As mentioned by Epstein & Buhovac, (2014) and Epstein & Roy (2001) any sustainability initiative's success depends on an organization's ability to measure corporate sustainability performance. One way of doing this is to create a SCS, which addresses environmental and social concerns and is often seen as separate from the performance management control system (Johnstone, 2019). A large set of papers therefore explores sustainability management control systems and how and why the SCS is integrated into the PMS (e.g. Arjaliès & Mundy, 2013; Beusch et al., 2022; Ditillo & Lisi, 2016; Gond et al., 2012; Hahn et al., 2015b; Johnstone, 2019; L. D. Parker & Chung, 2018; Wijethilake & Ekanayake, 2018). Moreover, existing research on this subject consistently emphasizes the significance of integrating SCS with

a company's conventional PMS to ensure that business activities align with sustainable development objectives (Ditillo & Lisi, 2016).

Johnstone (2019) defines SCS as the "dynamic constellation of management accounting tools that connect organizational strategy with operations in a given context by providing information and direction, as well as monitoring and motivating employees to continually develop sustainable practices and procedures for future improved sustainability performance." SCS combines aspects of both management accounting and control, offering information and methods to enhance sustainability performance measures and results across different dimensions and periods. Management accounting encompasses specific tools, e.g. life-cycle analysis and materiality assessment that incorporate the element of time, aiding in decision-making and informing strategic choices. Consequently, the SCS plays a dual role in assisting with strategy formulation and influencing the behaviors of organizational actors. Further, the literature suggests that it is crucial to grasp the connection between how a system (such as SCS) is *designed* and how it is *used*, as this has a significant impact on achieving lasting and effective results across various dimensions (Johnstone, 2019).

Beusch et al., (2022) have done a study on the integration of PMS and SCS and argue that in an ideal scenario, a company's PMS and SCS configuration should facilitate the seamless *integration* of both financial performance and sustainability considerations, enabling the effective implementation of a sustainability strategy. Similarly, Gond et al., (2012) view the SCS as separate from the traditional PMS and suggest that little is known about the *processes* whereby management control systems contribute to a deeper integration of sustainability within an organization's strategy. However, the mere presence of an SCS within an organization does not guarantee the successful integration of sustainability into the company's corporate strategy and business operations. Beusch et al., (2022) further argue that one reason for this could be that the SCS persists on the periphery without influencing core business activities (decoupled) and is thus unable to transform the company's strategy. Moreover, they state that since traditional PMSs focus on achieving the business and economic goals of an organization, they may be viewed as limited in managing environmental and social concerns and how these connect with financial matters. Furthermore, Beusch et al., (2022) highlight that corporate managers often perceive that

sustainability efforts are difficult to measure and that financial, environmental, and social objectives are often in conflict.

Similarly, Parker & Chung, (2018) examine how a major organization in Singapore operating in the global hospitality sector develops and puts into practice its social and environmental strategies along with management control. They found that in their case organization, costly sustainability investments were examined to see whether they produced strong financial benefits, such as strong return on investment or payback period results. The study reveals a dominance of the traditional financial control system over the environmental and social management control system and that relationship's dual role of enabling and constraining.

Hahn et al., (2015) emphasize that organizations must address corporate sustainability tensions, which encompasses both economic and environmental as well as social aspects. Their study adopts an integrative view and argues that organizations should embrace the tensions between these different objectives without prioritizing one over any others. The integrative view assumes that companies should acknowledge conflicts and actively pursue sustainability efforts, even when they appear to be in conflict. By understanding the nature of tensions, they consider the fact that corporate decision-makers often find themselves in situations where they must address conflicting objectives. The significant transformation demanded by sustainable development, at the individual, organizational, and systemic levels, makes it improbable for companies to make meaningful contributions to sustainability without the willingness and capability to comprehend and embrace the associated conflicts (Hahn et al., 2015).

Arjaliès & Mundy's, (2013) research on CSR's integration into company strategy demonstrates that the integration of CSR in the case organization and the tools used to manage it are uneven and often incomplete. They saw that the CSR strategy was not equally integrated into the local departments and the CSR reporting continues to be a "weak point". Additional analysis into the reasons for the uneven integration of the CSR strategy across all departments has not been conducted. Arjaliès & Mundy, (2013) further state that integrating CSR creates a future opportunity for businesses. Firstly, for improvements in social and environmental performance to result in lasting value for shareholders, companies must guarantee that related activities are completely integrated into their strategic processes. Secondly, as stakeholders demand greater

insights into CSR performance or the connection between CSR and financial performance, companies need to be more forthcoming and transparent in how they manage environmental and social activities. Thirdly, since environmental legislation is getting stricter, companies will have to consider the additional expenses related to undertaking or avoiding CSR activities. This suggests that PMS plays a significant role in assisting managers in recognizing and managing potential risks and opportunities. Ditillo & Lisi (2016) build on this notion by referring to papers stating that companies that view environmental challenges as potential opportunities are more inclined to take proactive measures to address them, in contrast to those that see environmental issues solely as a reaction to external pressures.

While the existing literature extensively examines the *integration* of SCS into the PMS, an aspect that has received relatively limited research attention thus far pertains to the examination of how organizations *use* PMS to navigate sustainability challenges. This thesis bridges the gap by examining how a medium-sized Swedish listed company *uses* its PMS and SCS to address sustainability challenges, offering insights to inform corporate practices.

3. Method Theory

To examine the challenges associated with sustainability reporting, the empirical findings of this thesis will draw upon the theory of institutional logics. Today, many organizations grapple with a challenging problem, namely reconciling their hybrid nature, which endeavors to champion sustainability goals alongside financial performance objectives. The root of this tension lies in the co-existence of two distinct logics, sustainability-, and profitability logic, which can pull in opposite directions. In light of this, the research question comes into focus: *How is a company's performance management system (PMS) used to navigate the co-existing pressures of sustainability and profitability?*

By using the theory of institutional logics to understand how the case organization uses its SCS for sustainability reporting, we can gain an understanding of the complex interplay between organizational practices and the broader institutional context, shedding light on the motivations, challenges, and outcomes associated with sustainability reporting efforts.

Organizations often find themselves needing to align with the values and expectations of various stakeholders. According to institutional theory, these sets of demands can be thought of as institutional logics (Carlsson-Wall et al., 2016; Thornton & Ocasio, 1999). There are several definitions of institutional logics (Nielsen et al., 2019). One such definition is provided by Thornton & Ocasio (1999) who define these logics as the "socially constructed, historical patterns of material practices, assumptions, values, beliefs and rules by which individuals produce and reproduce their material subsistence, organize time and space and provide meaning to their social reality." Institutional logics dictates what is considered acceptable behavior within a specific institutional context and offers established frameworks for determining which objectives are considered legitimate and the appropriate approaches for pursuing them (Carlsson-Wall et al., 2016). Furthermore, institutional logics guide and constrain the behavior of decision-makers since they are said to "provide the formal and informal rules of action, interaction and interpretation" (Thornton & Ocasio, 1999).

There are several types of institutional logics. As mentioned, this thesis will focus on the profitability- and sustainability logic. De Clercq & Voronov (2011) state that the profitability logic "reflects a quest for wealth generation, supported by a personal drive for wealth accumulation and a focus on revenue generation, cost reduction, efficiency, and profit." This shows the devotion to the safeguarding and enhancement of economic returns to owners and shareholders of the company. Furthermore, De Clercq & Voronov (2011) states their definition of sustainability logic as one that "prescribes concerns for social justice and environmental preservation that are supported by personal commitment to causes such as waste reduction, fair employment practices and reducing ecological footprint".

3.1 Hybrid Organizations

Institutional logics play a crucial role as they explain the relationships that create a shared purpose and coherence within the realm of an organization. Research identifies organizations with competing logics as hybrids, marked by the co-existence of at least two distinct logics (Busco et al., 2017 and Nielsen et al., 2019). This can result in diverse stakeholder engagement and the navigation of conflicting objectives, sometimes leading to challenging trade-offs. Thus, the co-existence of multiple logics can lead to institutional complexity. Furthermore, aligning two

contradicting logics can lead to ambiguity and create tensions both within the organization and among its stakeholders (Nielsen et al., 2019). These tensions can be addressed and managed through PMSs.

Tensions within hybrid organizations often stem from stakeholders demanding different actions, amplifying the complexity of establishing suitable governance structures. Other forms of tension emerge when reconciling sustainability and profitability objectives and measures that are used to evaluate the organization's overall performance. Assessing performance in hybrid organizations gives rise to tensions because it involves reconciling short-term quantitative metrics for financial performance with the often more qualitative, ambiguous, and non-standardized metrics for sustainability performance (Nielsen et al., 2019). As stated by Nielsen et al., (2019), "tensions increase because it is possible to quantify and compare financial performance in the short term, whereas social performance is uncertain and will mostly accrue in the long term, which makes it easier for stakeholders to focus on measures for commercial performance". Even though financial performance and consequently the profitability logic is easier for stakeholders to focus on, Carlsson-Wall et al. (2016) state that early research revealed that the co-existence of multiple logics led to one logic eventually prevailing and the organization either embracing the dominant logic or adopting a hybrid iteration of preceding ones. Nevertheless, later research indicates that the co-existence of multiple logics at the organizational level may endure for an extended duration (Carlsson-Wall et al. 2016).

3.2 Strategies for Managing Institutional Complexities

According to Carlsson-Wall et al., (2016), there are three distinct strategies to manage the tensions of competing logics in an organization using their PMS. These are *structural differentiation, decoupling,* and *compromise*.

3.2.1 Structural Differentiation Strategy

Structural differentiation is when the organization is divided into subunits, each acting independently and to the demands of its institutional logic. The subunits have their own PMSs, measuring performance related to their logic. The presence of different PMSs, each assessing performance aligned with various logics in different organizational areas, represents one method through which PMSs can promote structural differentiation. The advantage of this strategy is that

it can reduce the tensions between the subunits and their institutional logics. This structural approach to handling institutional complexity aims to pre-arrange future decisions and actions, thus preventing situations where an individual must simultaneously address two different institutional demands. The challenge with this strategy is that some type of integration will always be necessary between the subunits to facilitate decision-making on, for example, resource allocation (Carlsson-Wall et al., 2016).

3.2.2 Decoupling Strategy

A PMS can facilitate a decoupling strategy when an organization complies with one logic and communicates other logics symbolically to stakeholders. According to Carlsson-Wall et al. (2016), decoupling can be structural or situation-specific. If an organization permanently follows a specific logic and only symbolically to others, the decoupling is said to be structural. Firms using social and environmental reports to signal the importance of non-financial concerns, while managing the organization solely according to the prescriptions of a financial logic, is an example of how such decoupling can be realized. However, if the organization symbolically reacts to an institutional demand, while not considerably changing its practices, it is situation-specific. In a decoupling strategy, there is a gap between what the organization claims to be concerned with and what it actually does.

3.2.3 Compromise Strategy

According to Carlsson-Wall et al., (2016), a compromise strategy is where the organization fully complies with the demands of one logic and partly complies with the demands of other logics. This can also be structural or situation-specific. An organization can adopt a *structural* compromising strategy by striving to consistently address the diverse expectations of various stakeholders by partially complying with multiple logics. Rather than fully adopting all practices from each institutional logic, they incorporate elements into their PMS such as control systems and routines from various logics. Nonetheless, structural compromises cannot guide all situations; instead, compromise becomes a response to specific circumstances. Meaning that compromising strategies can also be *situation-specific*, for example as mentioned by Carlsson-Wall et al., (2016), “managers of a socially responsible investment fund may, for instance, decide on a case-to-case

basis whether to invest in a particular firm or not, taking into account that they seek to adhere both to the business logic and the logic of social responsibility."

4. Research Methodology

4.1 Research Design

Given that this paper aims to study organizational behavior and explore *how a company's performance management system (PMS) is used to navigate the co-existing pressures of sustainability and profitability,* a qualitative research method is chosen. The research question will be addressed through a single case study using semi-structured interviews. Furthermore, to understand the complexities and tensions that may arise when a company uses its PMS, the qualitative approach is preferred since it enables us to conduct multiple interviews with individuals from different levels in the organization. We have ensured that we received insights from across the organization. This will enhance our ability to answer the research question as more perspectives facilitate a more nuanced and detailed analysis.

For the purpose of confidentiality, the case organization analyzed in this study will from here on be referred to as BathGroup. BathGroup is a Swedish listed medium-sized company that owns several international companies within the bathroom industry. The bathroom industry is interesting from a sustainability perspective, given that materials like ceramics and brass commonly used in bathroom products are associated with negative environmental impacts. BathGroup acquires and develops companies that design, manufacture, and market products and services for bathrooms. The subsidiaries operate in a decentralized structure with a predominant focus on B2B commerce. BathGroup was considered interesting for this paper firstly because they are a company of considerable size, signifying its substantial presence and influence in the realm of sustainability reporting. Their large-scale operation and their stock exchange listing suggest that they are likely engaged in multifaceted sustainability initiatives and facing complex challenges in this domain. The chosen case organization stands out in the context of sustainability reporting due to its proactive approach and early engagement with the EU's Corporate Sustainability Reporting Directive (CSRD).

The empirical findings presented in this thesis present the perspectives of the interviewees over the seven conducted interviews. Each interviewee has shared their thoughts and ideas regarding sustainability, their PMS, SCS, and the current challenges they are facing. The interviewees have different levels of involvement with sustainability, including different lengths of employment and this affects the answers given. Although the interviews have been sustainability-oriented (rather than profitability-oriented), the case company is for-profit. The empirics will focus predominately on SCS and therefore sustainability measures (rather than financial measures), but it is essential to point out that BathGroup's PMS includes both financial and non-financial parameters. Thus financial performance is still to be understood as an important parameter for BathGroup and its subsidiaries when measuring and evaluating group performance.

Due to the extensive volume of transcribed material, it is not feasible to provide citations for every interviewee for all topics discussed. Nevertheless, the collective perspective of all respondents is presented in the empirical chapter. The primary data exclusively relies on insights gathered from conducted interviews, which means that some aspects of BathGroup may not be fully represented. Additionally, the empirical data pertains to the organization up until November 2023.

Furthermore, we used an abductive approach when collecting the data to allow for a degree of adaptability and flexibility. The abductive approach can be defined as a process in which the "original framework is successively modified, partly as a result of unanticipated empirical findings, but also of theoretical insights gained during the process" (Dubois & Gadde, 2002, p.559). This enabled us to align the theory with the empirical findings and tailoring of interview questions to the specific divisions within the organization, thereby achieving a deeper level of comprehension.

One potential limitation of this abductive approach is the potential for subjectivity in the interpretation of qualitative data, which may bias the analysis. However, it is important to note that this limitation will be mitigated through transparent documentation of the research process, and careful consideration of the context-specific nature of the findings.

4.2 Data Collection

As mentioned, interviews were conducted with people at different levels and roles in the company to obtain a broad view. The interviews were conducted with managers at the group level and different subsidiaries. The employees we interviewed knew plenty of their roles and parts of their organization, but they knew less about other parts, hence interviewing employees at different levels allowed for a more nuanced analysis.

To find respondents for the interviews, we relied on interviewee A to access the contact information of additional interviewees. This is seen as an appropriate means of data collection since the purpose of this paper is not to test predetermined hypotheses, but rather to explore and gain insights into the experiences and perspectives of individuals. This approach facilitated trust-building with the interviewees as they were introduced through trusted connections, which enabled us to capture rich information, as participants were open and candid in their responses. To address the potential bias of interviewee A referencing individuals with similar characteristics and experiences, which might result in a less diverse and representative respondent group, we actively sought diversity by encouraging interviewee A to refer us to individuals with a variety of experiences and perspectives across different areas of the organization.

The interviews were held online, and the language used during the interviews was chosen by the interviewee to eliminate the risk of language barriers that could affect the quality of their answers. The decision to conduct online interviews stemmed from geographical constraints and the impracticality of researchers traveling to the headquarters and international subsidiaries. The questions were planned in interview guides before every interview and were shared with the interviewees in advance, giving them the opportunity to prepare.

Furthermore, the seven conducted interviews were audio recorded to ensure that the researchers could focus on listening and engaging in discussions rather than taking thorough notes. Thus, the interview process shifted from mere data collection to an active construction of knowledge (Kreiner & Mouritsen, 2005). Moreover, the interviews were conducted in a semi-structured approach to allow for adaptability since we anticipated that the direction of subsequent interviews could be influenced by the discussion from previous ones. The interview guides were constantly

revised and updated during the study to gain a deeper understanding of specific parts of the company.

One identified limitation of our data collection and research approach is that the nature of the interviews may have restricted the interviewees' ability to think and speak freely since it can be a pressured situation for the interviewee, potentially limiting the depth of insights gathered. To mitigate this, we employed a range of strategies aimed at creating a more comfortable and open interview environment. These strategies included clearly communicating our non-judgmental and exploratory nature, assuring interviewees of the confidentiality of their responses, and actively listening to their concerns. Additionally, we encouraged interviewees to share their experiences, both positive and negative, to foster a more candid and comprehensive dialogue. These measures were designed to promote a more relaxed atmosphere and elicit richer insights from our participants.

In addition to the interviews, we have undertaken a document analysis of public records, including BathGroup's sustainability reports, press releases and various internal documents. This was done to enhance the comprehensiveness of our data collection approach and to provide a complementary perspective. Please note that neither the external nor the internal documents will be cited in the references, to maintain confidentiality.

4.3 Data Analysis

We conducted a semi-structured interview based single case study. All the audio recordings from these interviews were transcribed and translated manually shortly after the individual interviews were completed. The recordings were listened to multiple times by both researchers to ensure that all transcriptions were complete and correct. This is also a crucial part of the analysis as it was a possibility for learning the empirics. To guarantee that our conclusions and analysis are perceived as factual, we have made an effort to compose them authentically, credibly, and plausibly (Modell et al., 2008).

An important part of our research process' early stages was to read and study previous research. We had an approach where we went back and forth between our empirical findings from the continuously conducted interviews and the literature. This process enabled the development of the

method theory of institutional logics, used to analyze the empirics, and thus an abductive approach was employed. Throughout the study, we iterated between data (previous interviews) and theory to adapt the interview questions to better fit the research question.

When interviews were transcribed, the empirical data was categorized and analyzed using a thematic approach. The data was categorized under different themes in an Excel spreadsheet, addressing the challenge of dealing with overwhelming and disorganized data (quotes). Furthermore, the data points were color-coded based on the specific interview that they originated from. This approach facilitated a clearer understanding of the data and streamlined the process of locating relevant quotes. Data points (quotes) were assigned keywords and were sorted into the categories in the Excel document. The categories were initially divided into what the quotes addressed. These themes and keywords emerged from similarities and differences identified in the empirical data, in that way the data could be sorted more easily. After deciding on our method theory of institutional logics, it was easier to divide the data points under specific broader themes that would enable us to easily link theory to the empirical findings in the empirical analysis section. For example, some of the quotes were sampled under *decoupling* – as the interviewees talked about their concerns regarding greenwashing. Other quotes were sampled under *structural differentiation* when the interviewees mentioned the sustainability council as it created its own sphere for "sustainability talk". Furthermore, quotes were given a theme of profitability- or sustainability logic depending on how the managers resonated in different investment situations.

The keywords or themes enabled easy filtering and sorting of the data. This approach also enabled a clear view of what categories had sufficient data and which had insufficient data. This served as a guidance to what the following interviews should address. The thematic approach facilitated the selection of data points to be included in the empirical findings. The structure and the headings used to display the empirics under section 5 are based on some of these identified categories. For instance, the quotes that were categorized under the category *structural differentiation* are analyzed under section *5.3.1 Structural Differentiation*. The empirical findings are presented in the following section.

5. Empirical Analysis

For organizations to manage their hybrid nature and co-existence of multiple logics the PMS can be a valuable tool. BathGroup must manage two distinct logics, namely sustainability and profitability, which often pull in opposite directions. In light of this, the research question comes into focus: *How is a company's performance management system (PMS) used to navigate the co-existing pressures of sustainability and profitability.* BathGroup has devised a multifaceted approach to address this dilemma. Firstly, they have established a sustainability council, fostering collaboration among sustainability representatives from every subsidiary, facilitating mutual support, and guidance on sustainability issues and reporting. Moreover, they have implemented a reporting platform that enables comprehensive tracking and transparency in monitoring sustainability progress. This approach exemplifies BathGroup's effort to balance its dual goals of sustainability and financial performance.

5.1 Hybridity of BathGroup

The gathered empirics show that BathGroup seems to have some degree of hybridity since they aim to meet the demands of both profitability- and sustainability logic. The profitability logic is evident since BathGroup is for-profit. The empirics show how the sustainability logic is integrated into the overall company strategy. As per de Clercq & Voronov's (2011) definition, sustainability logic is a personal commitment to causes such as waste reduction, fair employment practices, and reducing ecological footprint. When it comes to managing waste reduction, BathGroup educates its designers and product developers to design products that give good possibilities for re-usage and recycling. They are measuring fair employment practices via sick days and a workplace satisfaction certificate. Furthermore, they aim to reduce their ecological footprint by mapping out scopes 1, 2, and 3. In this way, they can also keep track of their performance and possible improvement areas. Their climate impact during 2021 came from scope 3, i.e., the majority of their climate impact comes from the suppliers and customers. Based on these findings from the GHG protocol BathGroup has created reduction plans via its sustainability goals.

Furthermore, the sustainability manager believes that a profitable company in the future will be one that meets sustainability demands long term. The interviewees said that they do not have to

report all the measures they are currently reporting on. They mean that by being at the forefront of sustainability, the company will be well prepared for future legislation. Interviewee A said:

> The focus areas and KPIs (Key Performance Indicators), GHG protocol, there's no requirement to do them. However, if you haven't done the GHG protocol for 1,2,3, you will have significant issues when the new regulations come into force. In that respect, we definitely have an advantage as we are ahead of the curve.

The strategic reason why BathGroup focuses on sustainability reporting is because they believe it can help them gain a competitive advantage. Many customers within B2B demand that they provide sustainable products and keep track of their products' emissions, otherwise they turn to competitors. This is why BathGroup focuses on sustainability reporting, despite the current absence of legal obligations necessitating such disclosures.

As per the paper by Carlsson-Wall et al., (2016), a hybrid organization, according to the most recent research, is a company capable of simultaneously satisfying the requirements of multiple, competing logics over an extended period. The following quote by Interviewee C, highlights the balance between sustainability and BathGroup's general business plan, emphasizing the need to consider both aspects. "If the sustainability issues are weighing more than your general business plan then I actually think it's a challenge because the risk is that we all focus so much on sustainability that we forget the rest." Interviewee C highlights that sustainability logic will not outweigh the business logic. However, as indicated by interviewee B below, the business logic will not be able to dominate in the end either, since a combination of both will facilitate a competitive advantage.

> In my view, profitability and sustainability must go hand in hand. You can't run a sustainability initiative that doesn't build profitability in the long run. (…) If you don't follow these rules [trade commissions and agreements], you won't be able to operate in a certain market (…), and in that case, sustainability actions become profitable by default. (...) It's essential to have a business case for sustainability.

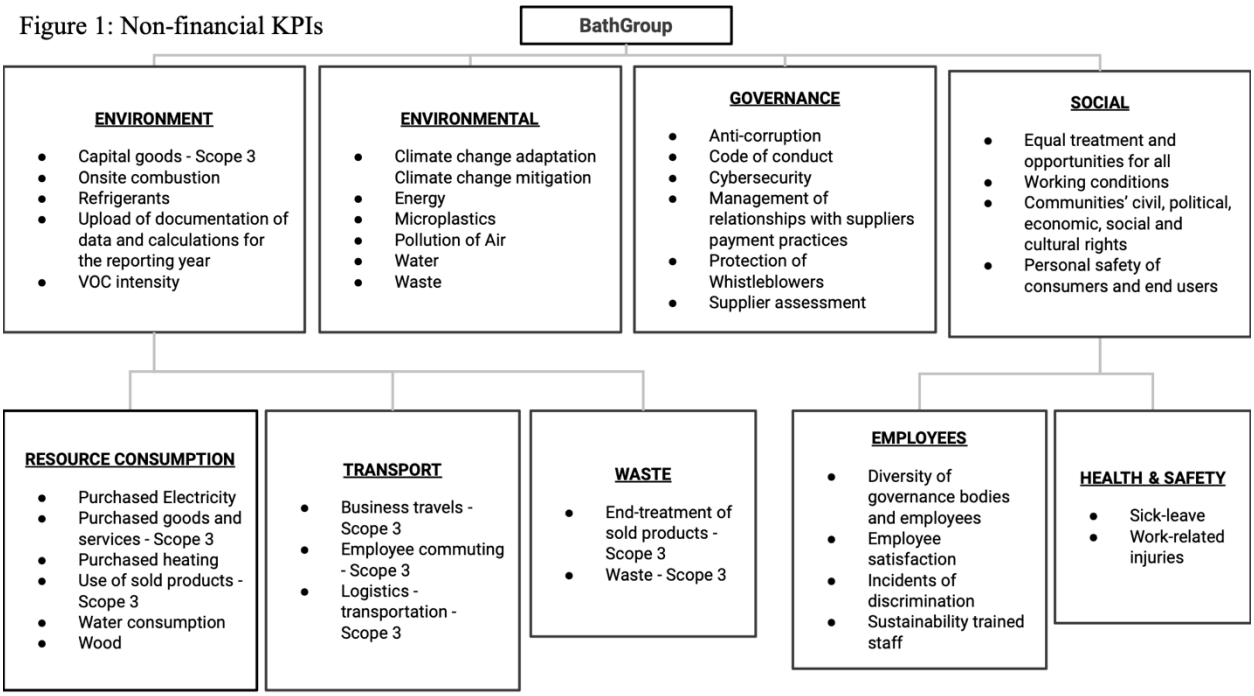
Based on the empirical observations, there is minimal indication that one of these logics would ultimately dominate. Instead, it aligns with the concept of hybrid organizations, as defined by de

Carlsson-Wall et al. (2016). Thus, we conclude that BathGroup seems to have some degree of hybridity, meaning that they must manage multiple logics simultaneously. As mentioned, this can lead to institutional complexities. The tools to manage these complexities will be analyzed below.

5.2 BathGroup's SCS

For a deeper comprehension of how BathGroup effectively navigates institutional complexities arising from multiple logics using their PMS, a closer examination of their SCS is imperative. Below are BathGroup's measures for their SCS. These are used to track performance in their sustainability engagements. The measures seen below are a selection of BathGroup's KPIs. These are reported by each subsidiary via a common digital platform. Some measures are reported every quarter and others annually.

Figure 1: Non-financial KPIs



The establishment of a sustainability council, the appointment of sustainability representatives, and the implementation of a dedicated platform all stem from the overarching objective of achieving their sustainability goals. Some of the goals that should be reached by 2030 (base year 2021) are shown below:

- 50% Reduction in CO_2 emissions
- 20% Physical audits of strategic suppliers

- 100% Procurement of wood certified to sustainable forest management standards
- 100% Share of renewable energy

The interviewees argue that the PMS is an important tool when discussing and debating sustainability and financial objectives. Three performance measures were frequently referenced by the managers: CO_2 emissions, purchased electricity, and profits. When analyzing the linkages to their targets, CO_2 emissions and electricity consumption can be linked to BathGroup's target of 50% reduction in CO_2 emissions. The purchased electricity KPI can also be linked to a 100 percent share of renewable energy. These two KPIs are linked to the sustainability logic. The KPI of profits is linked to their purpose of creating shareholder value.

5.2.1 Digital Sustainability Reporting Platform

At present, a key challenge lies in ensuring that all subsidiaries are aligned with the group's sustainability goals. In addressing these challenges and preparing for CSRD, BathGroup has purchased an external cloud-based application for storing and tracking sustainability data. The platform is used for reporting and analyzing data, as well as planning for improvement. Interviewee A emphasized: "My biggest challenge, is to (…) get them [the subsidiaries and employees] involved in the work that we do and get it all the way through the entire value chain." This quote highlights the challenge of involving employees in sustainability. Therefore, BathGroup has created a platform that enables involvement. Furthermore, interviewee A states:

> We are also currently working on the GHG protocol, scope 1, 2, and 3, and we do this annually. We have purchased a platform where we input all the metrics, our KPIs. (…) You can categorize data in different hierarchies within the platform. At the top of the hierarchy is [The Group name], and then all the subsidiaries fall under it. They measure the same metrics. Then, it is consolidated at the group level in the platform.

This quote underscores that the platform is a crucial tool that enables BathGroup to measure the KPIs as well as allow for some degree of centralization - making sure that everyone in the group can keep track of how well the company is doing in terms of sustainability by comparing the measures to the goals. Thus, the tool is expected to assist in analyzing where the major

sustainability risks lie and help set clear goals related to climate, resource usage, and social matters.

By utilizing this platform to monitor sustainability measures, they establish a system of accountability across the organization. This collective effort enhances the group's overall ability to monitor and enhance their performance, but perhaps most importantly it is a contributing factor to ensure that sustainability "sticks" in the organization. Budling on the notion that the platform facilities stickiness, interviewee D mentioned:

> It [the platform] brings comparability between different affiliates, so we can compare best practices. It forces a discipline on a regular (either quarterly or annual) basis to publish key data. What the platform does, is that it gives a measurement, and it turns conversation into numbers, and you can set a target. So, I think it's true that as soon as you start measuring something you put more management attention to it.

If stickiness is not ingrained in a firm, there is a risk that sustainability might recede into the background. Consequently, emphasis on sustainability in the organization needs to be amplified, a task facilitated by the platform. As mentioned by interviewee A:

> I have to pass on this knowledge [about new legislation and reporting requirements], and it's up to each sustainability officer at the companies to drive it further within their respective companies. It's almost a necessity to have something like this [a platform] because sustainability needs a bit more push; otherwise, it might fade into the background if there's no knowledge or interest, if you know what I mean.

Moreover, this platform is poised to become an indispensable resource in the future, as BathGroup anticipates potential legal requirements for sustainability reporting. As mentioned by interviewee F: 'It [the platform] will also help you if there are any gaps or something that is not aligned with the legislation."

Operating in a highly decentralized manner, the organization empowers individual subsidiaries to make their own decisions and manage themselves independently. Interviewee B affirms:

> We have a highly decentralized organizational structure, where each CEO has full authority and responsibility to drive sustainability and must allocate the necessary resources. The better results a CEO achieves, the more autonomy they have. If things aren't going well, we step in to help. Our organizational philosophy is about collaboration, where people, leadership, and employees are a significant resource for us.

The platform underpins part of the success of BathGroup's decentralized structure. The platform serves as a unifying tool, ensuring alignment across the organization concerning sustainability, despite the otherwise decentralized structure. It is evident that the platform is an important tool and facilitator for what appears to be the coordination and execution of sustainability initiatives across the subsidiaries. This testimonial from interviewee A underscores the platform's indispensable contribution to the overarching sustainability strategy and overall efficiency. "If we didn't have this platform, we wouldn't stand a chance. I can confidently say that without this platform, various subsidiaries would have a much harder time with their sustainability efforts. It has streamlined things for them."

5.2.2 Enhancing Knowledge Sharing Through a Sustainability Council

Experiencing loneliness in the role of a sustainability manager can pose significant challenges. This isolation can hinder one's ability to stay adequately informed and up to date in a rapidly changing environment, particularly when confronted with a constant influx of new legislation. In this rapidly changing environment, where staying ahead of the curve is paramount, a sense of loneliness can impede one's capacity to adapt effectively. Understanding and adapting to these evolving laws and regulations can be especially daunting without the right knowledge. Interviewee A said that one challenge of being a sustainability manager is often isolation and loneliness:

> Everything related to sustainability is something that many who work in this field are quite isolated in, within their companies. Partly because of the current changes with CSRD and all this new stuff coming, but also in general, in terms of which platforms to use, where to turn for different questions, and so on.

To navigate the challenges in sustainability, BathGroup has established a Sustainability Council comprising managers from each subsidiary. Interviewee A explains it as follows:

> We [the sustainability council] meet every quarter for about two hours, where we go through what's new in sustainability. We also exchange information, experiences, and knowledge, and we support each other. In each company, we have a sustainability manager whom I have contact with to drive these various current issues. (…) They are responsible for ensuring that the necessary actions are taken.

The council allows for some degree of centralization and is an additional example of a mechanism that underpins part of the success of BathGroup's decentralized structure, by promoting the spread of the sustainability logic that could otherwise have been difficult. Furthermore, it promotes accountability since council meetings are used to ensure that the reduction plans are followed and that the numbers are reported correctly. The council also ensures that the group will be up to date with upcoming reporting requirements and can reduce the loneliness that sustainability managers otherwise may feel. Given that the sustainability representatives in the council have different roles in the company it can more easily facilitate a link between sustainability and the business activities.

5.2.3 Integration of Acquired Companies – Benefits of the Platform and the Council

The group uses the platform and the council to integrate the sustainability efforts of their acquired companies. They also integrate the financial part of the PMS, meaning that the subsidiaries have to report on both financial and sustainability performance. Furthermore, acquisitions play a significant role in BathGroup's strategic approach. As the group CEO states, "A lot of our revenue growth has come from acquisitions. It's part of our growth strategy. I usually say I spend about a third of my time, 25-30 percent, drinking coffee and building relationships to explore acquisitions."

The council and the platform together facilitate the integration of newly acquired companies. They serve as two integration components of the group-level area in sustainability. The two mechanisms create accountability, which in turn *sustains* sustainability reporting in newly acquired companies and facilitates the monitoring of their performance. This ensures that the newly acquired subsidiaries are aligned with the efforts and targets of the group, as well as future legislation. As stated by interviewee A:

> There is an element of integration, of course [when it comes to acquisitions]. What applies to our strategy and sustainability at the group level and at the corporate level, plus the legal requirements, is reported into the platform. (…) Furthermore, we have quarterly meetings with all sustainability representatives in the council, where we ensure that the numbers are reported clearly, and we also ensure that we are working on our reduction plans so that there is actual progress.

Furthermore, BathGroup is developing a separate sustainability due diligence (SDD) framework as a vital component of its SCS. Interviewee A mentioned: "I'm setting up a strategy, a process that will help BathGroup with all future acquisitions we will make. I'm also working on a due diligence framework regarding sustainability." To guarantee that the acquired companies meet the standards of a "good" company, it is imperative to establish an SDD. Moreover, by consistently acquiring companies with strong sustainability profiles, BathGroup reduces the necessity for extensive integration efforts, a point emphasized by interviewee B. "We don't integrate systems, which allows us to avoid internal process disruptions. That's why we want to acquire good companies, so we don't get involved in extensive integration projects".

With the evolution of a distinct and dedicated SDD, as opposed to having sustainability as a minor role in the conventional (financial) due diligence, we observe a parallel shift in PMS. Historically, sustainability constituted a modest component in PMS structures. However, contemporary developments indicate a growing inclination towards SCSs as a separate control system from the PMS. This imperative for the separate SDD to effectively integrate with the more traditional financial due diligence process mirrors the SCS integration with the traditional PMS. This highlights the importance of aligning sustainability considerations with both financial due diligence and performance management in the broader organizational context. On one hand, the empirical evidence highlights growing parity in importance between profitability- and sustainability logic. Hence, our empirical evidence is in line with the trend seen in the literature review, that sustainability is increasingly becoming an integral part of businesses and vital for long-term survival and success. On the other hand, BathGroup is conscious of the fact that sustainability tends to fade into the background, and therefore control tools are needed to ensure that sustainability is sustained within BathGroup.

5.3 How BathGroup Manages Institutional Complexities

The SCS comprises two mechanisms, the platform and the sustainability council. They not only streamline but also enhance the cooperation of the organization's sustainability initiatives. These enable BathGroup to manage its institutional complexities that stem from co-existing demands. The two mechanisms create room for the sustainability logic without interference from the profitability logic, consequently avoiding that the profitability logic will dominate in the end. This facilitates that both logics can co-exist within BathGroup. The PMS and consequently the SCS can help organizations to mitigate these complexities through different strategies. This section will discuss which strategy BathGroup tends to use.

5.3.1 Structural Differentiation

BathGroup seems to deploy a structural differentiation strategy to some extent. For instance, the council is a unit where sustainability logic is allowed to dominate without interference from profitability logic. According to Nielsen et al., (2019), tensions can be reduced by separating activities into sub-units or independent organizations according to their logics. If we view the council as a separate unit, one can view the group sustainability manager as the integration component that is necessary in a structural differentiation strategy, as argued by Carlsson-Wall et al., (2016). This is because the sustainability manager has several roles, including business developer, and works closely with the CEO. The sustainability manager can thus make sure that the demands presented in the council are compatible with the profitability logic throughout the management group. The advantage of this strategy is that it can reduce the tensions between the different subunits and their institutional logics.

As mentioned by Carlsson-Wall et al., (2016) one method through which PMS can promote structural differentiation is when the organization has different PMSs for different units, each assessing performance aligned with the various logics in the respective units. According to the empirical findings, BathGroup does not have a clear structural differentiation strategy, since the council is not considered its own unit, rather it works as an integration component. The council is not meant to isolate sustainability representatives, confining them solely to sustainability issues to spare others from managing them. Instead, the purpose of the council is to spread sustainability efforts throughout the entire organization. The council meets only quarterly and all the employees

in the council hold other roles in the subsidiaries. Not all members of the council are sustainability managers; for example, there are CEOs, sales managers, and CFOs. This further demonstrates that it is not a tool for segregating the organization rather it is a tool to integrate the group, align, and spread sustainability efforts. This is shown by the following quote made by interviewee A:

> [The sustainability council] is our way of keeping one of the three areas we work on at the group level. (…) we collaborate between the companies to exchange information. But also, to find synergies where we can help each other. (…) We discuss new regulations coming from the EU and plan joint training sessions.

5.3.2 Decoupling Strategy

BathGroup does not appear to employ a decoupling strategy based on the empirical evidence, as sustainability is integrated into its organizational strategy. Their SCS enriches their PMS and allows them to simultaneously adhere to both a sustainability- and profitability logic. As mentioned by interviewee D there is often interlinkage of sustainability and business in the mindset of the group. "We try to integrate sustainability in the way we think (…) we have to deal with the business issue, but we always have to integrate the sustainability in that part."

Several other interviewees have underscored the same significance of sustainability as an integral component of their overarching strategy. However, it is essential to note that these assertions may merely represent rhetoric without corresponding practical implementation. Interviewee D resonates on this matter by stating: "You know that when we talk about sustainability everyone has to be concerned about that and even if you aren't concerned you have to pretend you're concerned, otherwise you would be in very big difficulties." This can be attributed to the prevailing trend where companies in contemporary society are compelled to align with sustainability principles, irrespective of their personal preferences, as failure to do so may lead to delegitimization of the organization. Interviewee D says: "The largest risk in the sustainability issue is that you don't deal with it because if you don't, then you are not existing in five years as a company."

Interviewee A emphasized that their biggest challenge when it comes to the fast-changing sustainability reporting legislation is to "get everyone on board", by stating: "My biggest challenge

is to get them [the subsidiaries and employees] involved in the work that we do (…). We have started to educate our designers and product developers on sustainability and the circular value chain, the circular economy."

BathGroup emphasizes educating designers and developers on creating products that are easily disassembled, enhancing recyclability for consumers, and promoting sustainable end-of-life product management. This initiative reinforces their commitment to lowering Scope 3 emissions, the largest portion of their emissions footprint, particularly from purchased products, customer use, and transportation. As emphasized by interviewee A: "We recently reduced our CO_2 emissions by about 14 percent relative to our revenue, between 2022 and 2023". This reduction is the result of investments in energy efficiency, transition to renewable energy, and optimization of production processes. Through these measures, the company emphasizes its commitment to sustainability. For instance, one of the largest subsidiaries recently became self-sufficient in energy in 2022 after installing solar panels on the roof of their distribution center, which constituted an investment of 6 MSEK (BathGroup Press release 13 Jul 2022). Furthermore, by opting for 100 percent biofuels in container transport from Turkey to Sweden, they reduced CO_2 equivalents by 115 tons in 2022. Additionally, their shift from road to sea traffic for transport from Portugal to Sweden led to a reduction of approximately 20 tons of CO_2-equivalents (Sustainability Report 2022).

Based on our findings, BathGroup does not seem to employ a decoupling strategy. They stress the importance of actively embracing sustainability, highlighting its practical necessity rather than being just a rhetorical concept. The empirics support the conclusion that BathGroup's commitment to sustainability is evident in actions such as integrating it into new projects and providing staff training. Thus, there appears to be no gap between their stated concerns and actions, indicating that there is no decoupling strategy. This leads the discussion towards a compromising strategy.

5.3.3 Compromise Strategy

Empirical observations suggest that BathGroup primarily employs a compromise strategy to manage the inherent tensions among various logics. This approach is necessitated by the continuous requirement to accommodate the demands of all logics simultaneously, prompting them to make consistent compromises and adaptations. BathGroup accomplishes this by adopting a platform that becomes a tool that facilitates compromise between the logics. This is because it

contains various non-financial KPIs for sustainability, which forces the employees to work towards and track the performance of these measures. This is in line with previous literature, as mentioned by Epstein & Buhovac, (2014) and Epstein & Roy (2001) that any sustainability initiative's success depends on an organization's ability to *measure* corporate sustainability performance. Therefore, the PMS can support the employees not only to focus on the financial measures but also on the non-financial ones. This aligns with previous research, indicating that PMS can assist organizations in managing multiple logics simultaneously (Carlsson-Wall et al., 2016).

As mentioned by interviewee A, "It's almost a necessity to have something like this [the platform] because sustainability needs a bit more push; otherwise, it might fade into the background if there's no knowledge or interest, if you know what I mean." This points towards BathGroup having a compromising strategy since sustainability most likely would not need a "push" if it was already on top of everyone's agenda. This means that the organization adheres primarily to a profitability logic, but compromises by taking in other logics such as the sustainability logic. This is in line with Carlsson-Wall et al.'s (2016) definition of a compromising strategy. The organization operates on a for-profit basis, yet it must conform to alternative principles in response to the institutional pressures it confronts. Accordingly, when examining BathGroup, it becomes evident that integrating both financial and sustainability measures into the PMS is imperative. This is essential to address the challenges posed by competing logics and to achieve harmony between them. However, sometimes there might be a trade-off between the profitability- and the sustainability logic. As employee D mentioned:

> It is a really tough decision [to choose between one option that is more sustainable and one that is more profitable] and you know you'd always like to put your hand on heart and make the decisions that are right for sustainable reasons. But you know, sometimes, frankly, it doesn't matter and the end client doesn't care, and you know, if it comes down to cost it comes down to cost, and that's still the bigger driver than anything else.

Achieving success with this strategy, i.e. simultaneously satisfying the requirements of all logics, necessitates ongoing compromise between the logics. However, there are specific situations where finding a middle ground between conflicting logics may be impractical or unattainable. For instance, certain investments in sustainability may be rejected because they lack financial viability.

When asked about these unavoidable trade-offs between sustainability efforts and profitability, interviewee C answered the following, "The very short answer is, yes [there is a trade-off], because obviously sometimes we have to say we can't lose X percent of our turnover just to make sure that we have a decrease in our CO_2 emissions." Interviewee C further highlights the frustration of the conflicts that arise due to the co-existence of the sustainability- and the profitability logic: "We try to integrate sustainability in the way we think but I also would be very honest and say that sustainability is also sometimes a frustrating item."

As seen from the empirical evidence sustainability is mentioned as frustrating, this indicates that there is occasionally a trade-off between the logics and that the demands are not always compatible with each other. The interviewees consistently claim that sustainability is integrated into all parts, but as indicated by the quotes, the profitability logic has more weight in decision-making. As demonstrated by the following quote from interviewee C, sustainability is integrated into the business part rather than vice versa: "We have to deal with the business issue, but we always have to integrate sustainability in that part."

A conclusion one can draw is that BathGroup *uses* its PMS to mitigate institutional complexity. For instance, their PMS combines elements like governance, control systems, rules, and routines from different logics to permanently meet the needs of different demands (Carlsson-Wall et al., 2016). The PMS contains both profitability- and sustainability logic by including the SCS in it. As mentioned, the SCS consists of a council and a platform, which facilitates structure and mitigates the interruption of a pure profitability logic, rather the sustainability demands can successfully co-exist in the organization. This is further shown by interviewee B stating that: "In the end we need to create value for the shareholders. (…) By being sustainable you are also creating more value for the shareholders." This quote illustrates that BathGroup leans more towards a profitability logic, yet they are actively engaging with sustainability to address the institutional demands in that domain. For instance, legislations such as CSRD and customers are demanding them to be sustainable. Therefore, they use a compromising strategy to manage multiple logics simultaneously.

Furthermore, as mentioned by interviewee B: "Sustainability and profitability must go hand-in-hand. You can't run a sustainability initiative that doesn't build profitability in the long run." –

meaning that they strive to identify situations where it is possible to be profitable and sustainable at the same time. By being sustainable they can attract more capital, increase their share price, and consequently receive more resources for new investments. BathGroup can also gain a competitive advantage, increase its revenues, and thus create value for shareholders. Therefore, the logics can occasionally exist in harmony and consequently, they can achieve a compromise strategy. A quote that further proves this:

> It's a competitive advantage to have these EPDs (Environmental Product Declarations) on the products, and it's also a competitive advantage for our investors who want to invest in us to know that we are working on this sustainability part, and it can also be fund managers and shareholders who want to own shares in companies that work with sustainability.

However as previously stated, the empirical evidence suggests that in some situations there is a trade-off between sustainability and profitability. Therefore, it is of great value to identify as many situations as possible where the logics can go hand in hand. This commitment to align sustainability and profitability is demonstrated through their introduction of EPDs (Environmental Product Declarations). Nonetheless, it is essential to acknowledge that the ultimate determinants in decision-making processes are driven by the imperative of profitability, as it represents the paramount business logic governing the final choices. Adding a layer of intricacy to this situation is the contemporary reality that the adoption of sustainability principles can essentially be perceived as a business imperative. Today, engagement in sustainability initiatives has become a prerequisite for companies to ensure their long-term competitiveness and survival.

The empirics show that BathGroup employs a compromising strategy to navigate its hybrid nature and that various institutional logics may exhibit varying degrees of compatibility across different scenarios. The institutional logics in BathGroup are not always in conflict, occasionally they co-exist harmoniously due to the prevailing circumstances, marked by a series of actions or events that yield advantages for both sustainability and financial performance. To understand when the logics are compatible it is necessary to study specific situations as discussed below.

5.3.3.1 Different Situations Managing Co-existing Logics

As concluded above, BathGroup primarily uses a compromising strategy to manage its co-existing demands. Their compromise strategy is *structural* to a large extent, meaning that they combine elements like governance, control systems, rules, and routines from the different logics to permanently meet the needs of different demands. For instance, they include both financial measures in the PMS and non-financial ones through its SCS. However, structural compromises cannot predetermine behavior in all situations as mentioned by Carlsson-Wall et al. (2016). There will be situations in which ad hoc compromises have to be made, to confirm the structural strategy or to deviate from it. In those instances, a compromise becomes a response to a particular situation. This section discusses four situations concerning different investment and strategic decisions, each showing distinct relationships between the sustainability- and profitability logic mediated by the PMS through three KPIs (CO_2 emissions, purchased electricity, and profits). These situations represent some of the considerations of the interviewees and do not encompass every conceivable combination of sustainability and financial performance. A summary of the four situations is displayed in Figure 2 below.

Figure 2
Summary of the four situations

Investments	KPI	Relationship between the institutional logics	Compromising behavior
1. EPDs	CO_2 emissions Profits	The sustainability- and the profitability logic are in harmony: measuring CO_2 emissions per product leads to competitive advantage and increased profits.	No compromise needed
2. Solar panels	Purchased electricity CO_2 emissions Profits	The sustainability- and the profitability logic are enacted as conflicting: increasing renewable energy requires short-term compromising of the profitability logic. It implies short-term financial losses, but no compromise is needed in the long-term as BathGroup saves resources spent on electricity, thus improving the financial results over time.	Compromise needed short-term, but not long-term
3. Production in China	CO_2 emissions Profits	The sustainability- and the profitability logic are enacted as conflicting: by producing in China, BathGroup can keep its production costs low. This is in favor of the profitability logic while the sustainability logic is compromised since producing in China leads to increased CO_2 emissions due to longer transportation.	Compromise in favor of the profitability logic at the expense of the sustainability logic
4. Biofuel	CO_2 emissions Profits	The sustainability- and profitability logic are enacted as conflicting: by changing the transportation fuel to biofuel it reduces CO_2 emissions. However, biofuel is more expensive which reduces the financial results.	Compromise in favor of the sustainability logic at the short-term expense of the profitability logic

Situation 1: EPDs

Several of the interviewees exemplified their investment in EPDs. The interviewees mentioned that this investment will facilitate BathGroup to measure the climate impact of their respective products and it will also enable them to better compete in their market. Construction companies demand a measure of the climate impact of their products, otherwise, they may opt for an alternative bathroom product supplier. In this situation both logics can live in harmony, this is due to their positive cause-effect relationship in this specific context, i.e. they can be profitable by being sustainable. If they can show a low climate impact of their products or at least show to customers and other stakeholders that the sustainability issue is taken seriously, it can facilitate a competitive advantage and consequently yield higher profits. For instance, interviewee A mentioned:

> EPD is the carbon footprint of a product. You start with a lifecycle analysis of the product, how long it lives, and see what components it consists of, and then that gives a certain carbon emission per product. And that's what we're working on because our stakeholders, for example, [name of a large Swedish multi-national construction company] require us to have EPDs for our products; otherwise, they won't be able to build sustainable residences. And then maybe they can't use our products, and they choose someone else who is more advanced. It's a significant competitive advantage [to have EPDs].

As mentioned, this means that BathGroup is responding to both the sustainability- as well as the profitability logic, since having EPD is beneficial from the perspective of both logics. Thus, in this situation, both logics can live in harmony, and they *confirm* their structural compromising strategy. Furthermore, this is backed up by interviewee C:

> We are right now doing the EPD for our best-selling faucets (…) When we talk about products, you have to deal with the EPDs. It will probably be something that everyone needs to have within the next two years if you want to sell to the construction industry.

Situation 2: Solar Panels

By investing in solar panels BathGroup can be sustainable by investing in renewable energy but also profitable in the longer run, by reducing electricity costs and selling surplus electricity. As mentioned by interviewee F:

> For the solar panels, you will have the investment, but then you have a return on the investment because obviously you sell the power, you can lower your energy bills and you can make that clear for the parts outside the sustainability department. Just to say oh we're saving the planet may not be enough.

However, the short-term profitability might be compromised at the beginning of the investment. Due to the high initial investment cost of solar panels. As interviewee D pointed out:

> I mean lots of the decisions that we need to make now on the basis that it'll give us better competitive advantage in the future. (…) If we were to redesign products to make them more sustainable, that takes years and money and investments which could be allocated somewhere else. So, I don't think we expect to compromise our profitability at all, I think in truth what we're doing is we're focusing on medium-term and long-term profitability at the expense of immediate short-term profitability by investing now in initiatives which we wouldn't have otherwise invested in.

By investing in solar panels, CO_2 emissions and purchased electricity are reduced, which contributes to their targets of 100 percent renewable energy as well as a 50 percent reduction in CO_2 emissions by 2030. By undertaking the investment, the profits are also enhanced in the long run due to savings and the sale of surplus electricity. Thus, the sustainability logic prevails over the profitability logic short-term but in the long-term they can live harmoniously.

Situation 3: Production in China

The interviewees often mentioned that they always need to create a "business case for sustainability", however, this can sometimes be difficult to establish since promoting sustainability often implies more costs. Several interviewees mentioned that there are large costs related to sustainability efforts, as mentioned by interviewee F: "Same thing, you know, when you link it to

the financial side because sustainability again, implies more costs. You will probably be the person to impose a lot of costs [referring to sustainability manager]."

BathGroup has a lot of suppliers in the Far East (China). This is mainly because it makes commercial sense to lower both production and labor costs and thus they can increase their KPI of profits significantly. As mentioned by the interviewees, their competitors also have their suppliers located in China. Not producing in China may lead to less competitive advantage, since it would impose larger costs, leading to higher margins on their products and making it more expensive for the end customer, consequently losing market share. This is demonstrated by interviewee C: "We typically produce in China unfortunately, but that's the way it is, that's the market."

However, production in China negatively affects the KPI of CO_2 emissions, partly due to the longer transportation distance. In this situation, the KPIs have a negative cause-effect relationship, and BathGroup will choose the investment that *significantly* improves profitability (lower production and labor costs) and consequently accept deterioration in sustainability. Thus, the profitability logic prevails at the expense of the sustainability logic. Interviewee C stated this trade-off between sustainability and profitability when it comes to production in China:

> Where to put focus for instance when we develop new products, is whether or not we should have a clear strategy not to produce in China. Because, from one point of view, it's not very sustainable, but on the other hand we have the business issue [more profitable to produce in China] which means we have to produce it in China.

Furthermore, interviewee C mentioned:

> We are selling a lot of toilets (...) typically produced in Europe or China, they are glazed on very high heating and the very high heating is produced by gas and then they are shipped to Scandinavian or northern Europe. That means that a lot of the material in the toilet has a very poor effect on the CO_2. (…) but no one can imagine a world where we don't have toilets and we can try to develop new ways to deal with it, but it's not very easy. So sometimes the sustainability issue can also be a frustrating part, because if we should talk about our CO_2 emissions the best way we could decrease it, would be to sell no toilets at all, and from a business point of view that would be a disaster.

The quote highlights the dilemma of the occasional trade-off between sustainability- and profitability logic. While the product in question, toilets, has a significant environmental impact due to high-energy glazing and long-distance shipping, it remains necessary and irreplaceable. This underscores the challenge that some products, despite their sustainability drawbacks, are virtually indispensable, and discontinuing their sale to reduce CO_2 emissions would be commercially non-viable. This illustrates the complex decision-making involved in balancing sustainability concerns with economic viability, as eliminating such products may not always be a feasible or practical solution.

Situation 4: Biofuel

BathGroup has started using biofuel in some of its transportation to reach the target of 50 percent reduction in CO_2 emissions by 2030. For instance, in 2022 one of BathGroup's subsidiaries chose 100 percent biofuels for its container transports by boat from Turkey to Sweden. This has resulted in a reduction of 115 tons of CO_2 equivalents in 2022. Biofuel is a more expensive fuel than petrol and in this case, the sustainability logic is prioritized at the expense of the profitability logic, since purchasing biofuel will reduce the profits but improve the KPI of CO_2 emissions. Interviewee D discussed the interplay between the logics in this situation as follows: "We're investing in alternative fuels for transportation. So, there are examples where our profitability will be changed marginally, it will marginally deteriorate in the short term as an investment in that longer-term position."

This quote highlights the complex interplay between the logics in this particular situation, meaning that it will initially be expensive to invest in biofuel and therefore deteriorate the profits in the short term, but it could potentially increase the profits in the long term. As mentioned by interviewee A:

> No, I think it's more from a sustainability perspective [rather than a financial perspective] that we are reviewing these things [using biofuel]. (…) It's more about us doing something for the environment and reducing our CO_2 emissions. (…) Several companies have followed suit during the year, and we'll see how much we've saved on it later. Transport is a significant part of our emissions, that's for sure. So, absolutely [I think we will benefit from it in the long run].

One could argue that the long-term profitability has also deteriorated in this situation since biofuel is more expensive than fossil fuels. This will in turn impact profits negatively both short-term and long-term. However, one could also argue that there is an indirect effect of increased financial performance by being more sustainable in choosing biofuels. Lowering the KPI of CO_2 emissions may lead to higher profits indirectly in the long run, since BathGroup can benefit from attracting more investors and increase their sales revenues by for example improving their EPDs. Thus, at the end of the day, one could potentially also see the long-term financial benefits of making such an investment.

6. Discussion

By using the theory of institutional logics, we have analyzed how the PMS and consequently the SCS can be used to address challenges and thus promote stickiness and spread of sustainability practices in BathGroup. Furthermore, we have demonstrated that there is sometimes a conflicting relationship between the sustainability- and profitability logic and that there is an important temporal parameter concluded from analyzing specific situations. The nature of the situation, i.e. if the logics are in conflict or not, depends on how KPIs will be affected by the investment decision. Undertaking the investment or not, is decided by how the individual managers interpret the impact of the KPIs. Therefore, in contrast to previous literature (Arjaliès & Mundy, 2013; Beusch et al., 2022; Crutzen et al., 2017; Gond et al., 2012; Hahn et al., 2015a), our study highlights not only a PMS design but also how it can be *used* to manage co-existing logics in different situations. We therefore address the gap in the existing literature identified by Wijethilake & Ekanayake (2018), where researchers have given less attention to the *uses* of PMS. In doing so, we identify two main contributions discussed below.

6.1 Using SCS to Sustain Sustainability

Integrating the SCS into the PMS enhances BathGroup's ability to implement a compromising strategy. This integration allows the incorporation of control systems from various logics, ensuring continuous adaptation to diverse demands. The PMS through its SCS (consisting of the platform and council) brings *concurrent visibility* to sustainability performance, making it more tangible and measurable (Carlsson-Wall et al., 2016). This visibility transforms sustainability conversations into actionable insights, setting clear targets and fostering a culture of ongoing evaluation and

adaptation. By proactively engaging with sustainability metrics, BathGroup can enhance its reputation and meet the evolving expectations of more environmentally conscious stakeholders.

Existing literature on SCS and its integration into PMS (e.g. Arjaliès & Mundy, 2013; Beusch et al., 2022; Ditillo & Lisi, 2016; Gond et al., 2012; Hahn et al., 2015b; Johnstone, 2019; L. D. Parker & Chung, 2018; Wijethilake & Ekanayake, 2018) has to a large extent overlooked the role of SCS in *sustaining* sustainability initiatives. This thesis offers an examination of the role that SCS plays in the spread and stickiness of sustainability, thereby sustaining it within a hybrid organization. While existing literature acknowledges the potential of PMS as a tool for disseminating measures and information as well as sustaining multiple centers of control and interest within an organization (Busco et al., 2008), our contribution extends beyond this, by undertaking a more comprehensive exploration. Specifically, we emphasize how the SCS can be used in practice to effectively sustain sustainability initiatives throughout an organization.

BathGroup's KPIs are *established* by the council and *measured* via the platform. The council drives the integration of sustainable practices throughout the organization. Comprising employees with diverse roles, the council increases the probability that sustainability is ingrained in day-to-day operations. The platform facilitates data collection, analysis, and accountability. By employing the SCS (the platform and council), BathGroup can actively foster the *stickiness* and *spread* of sustainable practices, thereby avoiding that sustainability fades into the background. Regular measurement of KPIs by subsidiaries enables better performance tracking and goal alignment within the group. This practice ensures the sustainability focus remains prominent, preventing it from being overshadowed by profitability concerns. Additionally, the platform, council, and selected KPIs assist BathGroup in navigating complex investment decisions and managing sustainability and profitability trade-offs. Without these control mechanisms, understanding the impact of investment scenarios and making informed compromises would be more challenging.

Our findings are consistent with Arjaliès & Mundy's, (2013) observations, highlighting the challenges organizations face in reconciling long-term aspects of CSR strategy with short-term financial gains. Furthermore, our findings build on Arjaliès & Mundy's, (2013) notion that one of the main catalysts found for undertaking sustainability investments was the perception of CSR as a future opportunity for business. This is in line with our finding that one way to sustain the

sustainability logic is to, whenever feasible, create a business case for it. However, our study goes beyond their findings, highlighting that the design of the SCS can sustain the sustainability logic via the *spread* and *stickiness* facilitated through the platform and council.

6.2 Temporal Parameter of Managing Co-Existing Logics

Our findings confirm the conclusions drawn by Parker & Chung, (2018) highlighting the prevalence of traditional financial control systems over environmental management control systems. Their findings illuminate the nuanced dynamics of this relationship, portraying it as both enabling and constraining simultaneously. Expanding upon this concept, we delve into a series of scenarios to exemplify the nuanced interplay of the "enabling and constraining'" relationship as articulated by Parker & Chung, (2018).

Understanding the differences in BathGroup's compromising behavior is crucial, as it is based on managers' evaluations of different levels of improvement in the three KPIs, and adherence to a specific logic can be determined by the significance of how much a certain event can improve the KPIs. Furthermore, the KPIs are part of the PMS which can facilitate more structure in their decision-making, this is in line with insights emphasized by Carlsson-Wall et al., (2016).

The varying compatibility between logics and resulting compromises in different situations is evident. In situations one, two, and four, a business case for sustainability justified investments, aligning with long-term profit growth. Conversely, in situation three, where profitability took precedence and establishing a business case for sustainability was challenging, managers chose not to integrate sustainability logic in locating production in China. This highlights the importance of considering contextual variations in compromises when using the SCS alongside other management controls. The findings emphasize that prioritizing profitability often prevails in trade-offs. Establishing a business case for sustainability, and translating it into a business-oriented context, increases the likelihood of *sustained* integration of sustainable practices. However, when constructing such a case is difficult, sustainability may take a backseat to profitability logic, as observed in situation three. This demonstrates that sustainability control is not a rigid and automated process, as is the approach taken in earlier literature (Crutzen et al., 2017; Gond et al., 2012), rather it is contextual. Further, in contradiction to the findings of Crutzen et al., (2017), we

found that managers tend to use more formal controls (e.g. measures in the platform) than informal controls in sustainability-relevant investment decisions.

In situation one, no compromise is needed as it benefits both demands. In situation two, sustainability KPIs (purchased electricity and CO_2 emissions) can be greatly improved. CO_2 emissions can also be reduced in situation four. Despite a short-term profit decline, managers prioritize long-term profit growth by ensuring a business case in their investments. In situation three a business case for sustainability is difficult to establish and profits can be significantly improved, allowing acceptance of short-term and long-term sustainability deterioration. When logics are in conflict profitability will often take precedence over the sustainability logic.

A conclusion one can draw from the situations is that there is an evident temporal parameter when making compromises. In situations of conflicting logics and when sustainability KPIs can experience significant improvement, managers are willing to tolerate a short-term profitability decline but not a long-term one. Conversely, when logics conflict and profitability KPIs can be significantly improved, managers can accept both short- and long-term deterioration in sustainability.

7. Conclusion

The increasing importance of sustainability in businesses has led to a surge in research concerning sustainability management control. By conducting an interview-based single case study and employing the concept of institutional logics, we have provided insights into how a listed SME is influenced by its SCS, particularly when faced with concurrent and occasionally conflicting demands. The study highlights the role of PMS, and how it is *used* to manage co-existing logics and consequently *sustain* sustainability via their SCS.

Our contribution to the extant literature on PMS is threefold. Firstly, this study contributes to the literature by demonstrating that different degrees of compatibility between logics not only vary between industries and organizations as mentioned by previous literature, but it can also vary in different situations *within* an organization. Secondly, this research gives insights into how a platform and council, as part of an SCS, can be important factors in ensuring the *stickiness* and

spread of sustainability efforts by managing compromises. This insight enhances understanding of how the design and use of the SCS can prevent sustainability from fading into the background.

Thirdly, this study not only explores how compromises are integrated into the PMS, as emphasized in recent literature but also demonstrates how the PMS can effectively manage these compromises. The findings reveal that the relationship between logics varies by situation, showing compatibility in some instances and conflict in others. In conflicts, managers utilize their PMS to navigate compromises between logics. The practical significance lies in enhancing comprehension of the nuanced situational context where sustainability logic is applied and the necessity of creating a business case for sustainability. The conclusion emphasizes a crucial temporal parameter: with significantly improved sustainability KPIs, managers can tolerate short-term profitability decline, but not long-term. Conversely, with substantially improved profitability KPIs, managers can accept both short and long-term deterioration in sustainability.

It is essential to emphasize the contextual nature of this research, as the conclusions may not extend to organizations that: i) operate under a single institutional logic, ii) do not prioritize sustainability significantly, or iii) lack a system for measuring sustainability performance using non-financial metrics. Additionally, a second limitation of our study could be its susceptibility to the prevailing conditions of sustainable engagement, given the ever-evolving landscape of sustainability regulations, trends, and innovations.

Expanding on the highlighted limitations, a possible avenue for future research lies in examining the use of PMS in organizations operating in other industries, that could be subject to different demands. This investigation would aim to determine the applicability of our findings in different contexts. Additionally, given the dynamic nature of the sustainability field, it would be intriguing to see if our conclusions hold in subsequent studies conducted several years from now, as sustainability conditions evolve. For instance, it would be valuable to explore how CSRD regulations, once fully in place, impact the utilization of sustainability control and its effect on the prominence of co-existing logics.

8. References

Arjaliès, D. L., & Mundy, J. (2013). The use of management control systems to manage CSR strategy: A levers of control perspective. *Management Accounting Research*, *24*(4), 284–300. https://doi.org/10.1016/j.mar.2013.06.003

BathGroup (2023). Sustainability Report 2022.

BathGroup (2022). Press Release 13 July 2022.

Beusch, P., Frisk, J. E., Rosén, M., & Dilla, W. (2022). Management control for sustainability: Towards integrated systems. *Management Accounting Research*, *54*. https://doi.org/10.1016/j.mar.2021.100777

Busco, C., Giovannoni, E., & Riccaboni, A. (2017). Sustaining multiple logics within hybrid organisations: Accounting, mediation and the search for innovation. *Accounting, Auditing and Accountability Journal*, *30*(1), 191–216. https://doi.org/10.1108/AAAJ-11-2013-1520

Busco, C., Giovannoni, E., & Scapens, R. W. (2008). Managing the tensions in integrating global organisations: The role of performance management systems. *Management Accounting Research*, *19*(2), 103–125. https://doi.org/10.1016/j.mar.2008.02.001

Carlsson-Wall, M., Kraus, K., & Messner, M. (2016). Performance measurement systems and the enactment of different institutional logics: Insights from a football organization. *Management Accounting Research*, *32*, 45–61. https://doi.org/10.1016/J.MAR.2016.01.006

Crutzen, N., Zvezdov, D., & Schaltegger, S. (2017). Sustainability and management control. Exploring and theorizing control patterns in large European firms. *Journal of Cleaner Production*, *143*, 1291–1301. https://doi.org/10.1016/j.jclepro.2016.11.135

de Clercq, D., & Voronov, M. (2011). Sustainability in entrepreneurship: A tale of two logics. *International Small Business Journal*, *29*(4), 322–344. https://doi.org/10.1177/0266242610372460

Ditillo, A., & Lisi, I. E. (2016). Exploring sustainability control systems' integration: The relevance of sustainability orientation. *Journal of Management Accounting Research*, *28*(2), 125–148. https://doi.org/10.2308/jmar-51469

Dubois, A., & Gadde, L.-E. (2002). Systematic combining: an abductive approach to case research. *Journal of Business Research*, *55*, 553–560.

Epstein, M. J., & Buhovac, A. (2014). *Making Sustainability Work 2 nd Edition Best Practices in Managing and Measuring Corporate Social, Environmental, and Economic Impacts*.

Epstein, M. J., & Roy, M.-J. (2001). Sustainability in Action: Identifying and Measuring the Key Performance Drivers. In *long range planning* (Vol. 34). www.lrpjournal.com

Esteban-Arrea, R., & Garcia-Torea, N. (2022). Strategic responses to sustainability reporting regulation and multiple stakeholder demands: an analysis of the Spanish EU non-financial reporting directive transposition. *Sustainability Accounting, Management and Policy Journal*, *13*(3), 600–625. https://doi.org/10.1108/SAMPJ-07-2021-0292

Gond, J. P., Grubnic, S., Herzig, C., & Moon, J. (2012). Configuring management control systems: Theorizing the integration of strategy and sustainability. *Management Accounting Research*, *23*(3), 205–223. https://doi.org/10.1016/j.mar.2012.06.003

Gray, R. (1992). Accounting and Environmentalism: An exploration of the challenge of gently accounting for accountability, transparency and sustainability. *Accounting Organizations and Society*, *17*(5), 399–425.

Hahn, T., Pinkse, J., Preuss, L., & Figge, F. (2015). Tensions in Corporate Sustainability: Towards an Integrative Framework. *Journal of Business Ethics*, *127*(2), 297–316. https://doi.org/10.1007/s10551-014-2047-5

Halmi, L., & Poldrugovac, K. (2023). Internal Sustainability Reporting in the Hotel Industry. In V. Katsoni (Ed.), *Springer Proceedings in Business and Economics* (pp. 221–235). Springer Nature. https://doi.org/10.1007/978-3-031-26829-8_14

Herremans, I. M., & Nazari, J. A. (2016). Sustainability reporting driving forces and management control systems. *Journal of Management Accounting Research*, *28*(2), 103–124. https://doi.org/10.2308/jmar-51470

Johnstone, L. (2019). Theorising and conceptualising the sustainability control system for effective sustainability management. *Journal of Management Control*, *30*(1), 25–64. https://doi.org/10.1007/s00187-019-00277-w

Kreiner, K., & Mouritsen, J. (2005). *The analytical interview Relevance beyond reflexivity*. http://frontpage.cbs.dk/insights/710008.shtml

Modell, S., Humphrey, C., Baxter, J., & Fong Chua, W. (2008). The field researcher as author□writer. *Qualitative Research in Accounting & Management*, *5*(2), 101–121. https://doi.org/10.1108/11766090810888917

Nielsen, J. G., Lueg, R., & van Liempd, D. (2019). Managing multiple logics: The role of performance measurement systems in social enterprises. In *Sustainability (Switzerland)* (Vol. 11, Issue 8). MDPI. https://doi.org/10.3390/su11082327

Parker, L. D., & Chung, L. H. (2018). Structuring social and environmental management control and accountability: Behind the hotel doors. *Accounting, Auditing and Accountability Journal*, *31*(3), 993–1023. https://doi.org/10.1108/AAAJ-04-2016-2513

Thornton, P. H., & Ocasio, W. (1999). Institutional logics and the historical contingency of power in organizations: Executive succession in the higher education publishing industry, 1958-1990. *American Journal of Sociology*, *105*(3), 801–843. https://doi.org/10.1086/210361

Wijethilake, C., & Ekanayake, A. (2018). Proactive strategic responses to corporate sustainability pressures: A sustainability control system framework. In *Advances in Management Accounting* (Vol. 30, pp. 129–173). Emerald Group Publishing Ltd. https://doi.org/10.1108/S1474-787120180000030006

9. Appendix

9.1 Interviewees

Interview	Interviewee	Role	Organizational Level	Date	Setting	Length
1	A	Sustainability Manager & Business controller	Group Level	22 Sep 2023	Online	41 min
2	A	Sustainability Manager & Business controller	Group Level	29 Sep 2023	Online	50 min
3	B	CEO	Group Level	20 Oct 2023	Online	40 min
4	C	CEO	Subsidiary 1	27 Oct 2023	Online	45 min

5	D & E	Operations manager (D), Managing Director (E)	Subsidiary 2	6 Nov 2023	Online	46 min
6	F	Sustainability Manager	Subsidiary 2	8 Nov 2023	Online	31 min
7	A	Sustainability Manager & Business controller	Group Level	16 Nov 2023	Online	20min

9.2 Interview Guide

This interview guide includes examples of questions from the interviews conducted. Some details of questions have not been disclosed below due to confidentiality issues. Some of the original interview questions have been translated into English from Swedish.

Role and Background	**Tell us a little about yourself and [company name].** • What is your role at [company name]? • Why does [company name] engage in sustainability? • How are you affected in your daily work by the company's engagement in sustainability?
Integration/ Cooperation	**How much cooperation occurs between the different departments at [company name] and [group name] as a whole with regards to sustainability?** • How are the sustainability measures for [company name] decided upon? Who decides these? • How is sustainability work prioritized at [company name]? • Are there any contradictions between being sustainable and being profitable as a company? • What is your view on relating sustainability targets to the company's financial targets?

	• How do you make a decision about how to act if you are faced with a choice of one alternative that is more sustainable, and one that is more profitable financially? – Can you give an example of such a situation? • How do you ensure that the subsidiary companies' goals align with those of the group?
Platform	**Can you describe in more detail what the platform looks like and its functions?** • How do you use the platform? • What benefits do you see from using the platform? • How does the platform facilitate sustainability reporting?
Sustainability Council	**How does the sustainability council function more exactly?** • What purpose does it fill? • What benefits does it have according to you? • Are there any drawbacks?
Sustainability Goals	**What are your main sustainability goals? Why?** • Which goal do you think is the most important? Why? • How well integrated is the sustainability work at [company name] at large?
Challenges	**What are your major challenges as a CEO/sustainability manager/operations director/managing director and in guiding the company on sustainability issues?** • Which risks and opportunities do you see regarding your sustainability engagements? • Are there any difficulties related to creating goals and targets for the company's sustainability engagement? • What keeps you awake at night - what are the current challenges in your organization?
Other	• Is there something else that we did not ask about, that you think is important for us to know?