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The Implementation of the CSRD by a Swedish Audit Firm; *Navigating Uncertainty in Organizational Learning*

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Abstract: Our study explores the implementation of the CSRD within audit firms, amid regulatory uncertainty, and its implications for organizational learning. Through a single case qualitative study on a large Swedish audit firm, applying the theoretical framework of Huber (1991), this paper finds how different aspects of the firm's knowledge acquisition, information distribution, information interpretation and organizational memory are affected by the implementation of the CSRD amid regulatory uncertainty. The contributions of the study address the reciprocal relationship between communication and knowledge and the ambiguous effects of regulatory uncertainty. Along with the theoretical contributions, the study also provides practical insight into the organizational learning's role in the implementation of non-financial reporting directives for audit firms and policy makers.

Keywords: Auditing, CSRD, Omnibus, Organizational Learning, Sustainability Assurance

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1. Introduction

1.1 Background

Environmental, Social, and Governance matters (ESG) have become increasingly important to stakeholders. The ongoing debate regarding social and environmental disclosure in financial reporting has been persistent, and its importance is emphasized by the European Commission. As part of their change movement, the Green Deal was launched in 2019. With a goal of establishing a “climate-neutral continent by 2050”, the Green Deal is supposed to work as a guideline when transitioning toward sustainable alternatives while still incorporating the needs of the economy. One reason for this commitment is the increasing concern among Europeans. Over 90% consider environmental protection critical, and more than three fourths believe that it can be economically beneficial to protect the environment (European Commission, 2019).

As part of the Green Deal, the EU has also replaced the previous Non-Financial Reporting Directive (NFRD) with the amendment directive Corporate Sustainability Reporting Directive (CSRD). The aim is to inform stakeholders on sustainability-related topics to help them make informed decisions (European Commission, 2025a). The CSRD was set into action by the EU in 2023. In 2025, its implications on firms will become visible, as 2024 is the first financial year subject to the directive (European Commission, 2025a). Previously, reporting guidelines were set by EU's NFRD, with a focus on providing stakeholders with relevant information on ESG matters (Publications Office of the European Union, 2015). CSRD, being an amendment directive, builds on the same purpose but establishes clearer requirements for firms. Some of the principal objectives of this stricter approach were to direct capital toward sustainability and to better assess financial risk connected to climate crises (Finansinspektionen, 2024). The European Sustainability Reporting Standard (ESRS) will work as a guideline for firms to meet the requirements of CSRD (Anthesis Group, 2023). Initially with this new directive, nearly 50 000 new organizations would be required to start reporting on ESG matters. Depending on the characteristics of a firm, compliance with CSRD will commence in different financial years (Grant Thornton, 2023). Broadly speaking, the European companies affected would be larger companies and listed SMEs, but also non-EU organizations that “generate over EUR 150 million on the EU market” would be impacted (European Commission, 2025a).

Besides the firms that are affected by this new directive, auditors play a key role in interpreting and implementing systems for processing CSRD. Their role will extend from traditional financial audits to also verifying sustainability disclosure (SD). According to Finansinspektionen (2024), an independent audit of all SDs will be required, resulting in a statement of *limited assurance*. Not only will they adapt to new ways of working, but the magnitude will potentially increase as more firms will need to adhere to this new directive. The guidelines for sustainability assurance (SA) are set by the European Commission. Broadly speaking it is about checking whether the statement on sustainability matters in the report is in line with the regulations. Auditors should also look at the process that the client company has utilized to identify presented information, and how this information is presented in the report.

While the CSRD was originally scheduled to take effect for the fiscal year 2024, new proposals introduced at the end of February 2025 drastically altered this timeline. The commission presented Omnibus, a proposal seeking to reduce the stated requirements of the CSRD, with an aim to "boost competitiveness" within Europe. The objective is to focus on larger companies that can foster real impact and subsequently lower the obligations of smaller firms. Overall, the commission estimates that Omnibus could lead to "€6 billion in administrative relief" (European Commission, 2025b).

1.2 Research Context and Purpose

The implementation of the CSRD, amid uncertainty stemming from Omnibus, has several critical implications for audit firms and the auditing profession that is yet to be explored in the literature. The responsibility of performing limited assurance of SDs requires new types of knowledge and the development of new processes, both in performing the SA and developing the required knowledge to do so within audit firms. With the complexity of the Omnibus directive and its accompanying aspect of uncertainty, audit firms are challenged in structuring the preparation for the additional responsibility regarding the scale of training programs for authorized auditors. As presented under the literature review, prior literature examines the work of auditors (Canning et al., 2019; Bouten & Hoozée, 2024; Zimmerman et al., 2023) and the nature- and consequences of non-financial reporting directives (Senn & Giordano-Spring, 2020; Haji et al., 2023). However, the literature review suggests that research on intraorganizational learning within audit firms prompted by non-financial reporting directives is limited.

Auditors are crucial intermediaries in the enforcement of regulatory standards. A lacking understanding of the intraorganizational adaptation of new directives may lead to faltering implementations of the CSRD and future non-financial reporting directives by the industry. The research gap identified leaves audit firms with insufficient theoretical knowledge on what to consider in the implementation of non-financial reporting directives. This in turn impacts internal training programs and policy design which can have negative consequences for the assurance quality. If the lack of quality of assurance of the non-financial reports is recognized industry wide, it has potential to impede the development of Corporate Social Responsibility (CSR) directives. Therefore, further development of the literature is crucial as it has potential to support smoother transitions of audit firms in the adaptation to non-financial reporting directives which can contribute to the effectiveness of ESG disclosure and trust in policy.

The problem area for this thesis highlights a knowledge gap regarding the consequences of non-financial reporting directives for the internal dynamics of audit firms. The study is therefore examining the real-time implementation of the CSRD by a large Swedish audit firm. Due to the nature of the directive, auditors are required to undergo extensive training to perform SA. Therefore, the study focuses on intraorganizational learning within the firm. In addition, with the proposed Omnibus directive pending, the situation adds uncertainty for the audit firm and their clients which creates an opportunity to study the effects of the regulatory uncertainty on the transition within the firm. By charting the expertise, opinions and values of employees within the firm, our study aims to reveal consequences and aspects of non-financial reporting directives on audit firms, that can further contribute to the literature by providing new insights for policy makers and audit professionals. Consequently, the research question is as follows:

“How do audit firms implement the European Commission's CSRD, amid regulatory uncertainty, in the context of organizational learning?”

To further develop the literature this paper proposes a single-case qualitative study of a large Swedish audit firm that examines their early implementation of the CSRD. The data collection is conducted through interviews with audit personnel, members of the sustainability team (ST) within the firm and executive leadership, with internal documents of training materials as supporting data. The interviews aim to investigate different employees' perspectives on the intraorganizational learning required in the implementation of the CSRD. To allow for different

perspectives employees of varying seniority and responsibilities are interviewed. The interview data is then analyzed using a framework developed from Organizational Learning Theory (OLT).

The study identifies two contributions to the literature on SA by researching intraorganizational learning within audit firms facing non-financial reporting directives. Firstly, a reciprocal relationship between communication and knowledge is identified. Previous literature explores interconnected effects of collaboration and knowledge. While our study finds communication can aid in both knowledge sharing and -formation, it is also found that effective communication can necessitate a basis of knowledge. This duality is seen to affect the organizational learning at the audit firm, and the finding contributes a new perspective to the literature on assurance work. Secondly, our study also contributes to the literature on regulation's effect on CSR, by revealing the ambiguity of regulatory uncertainty. Audit firms are faced with challenges in understanding the regulatory frameworks due to the underlying uncertainty. In connection to previous research our study reveals insights on learning within audit firms as a consequence of an evolving regulatory environment. The study also provides practical insights into the implementation of non-financial reporting directives for audit firms and policy makers.

2. Theory

2.1 Domain Theory

This section outlines the existing literature within the fields of CSR reporting and sustainability assurance. The purpose of this section is to provide a theoretical foundation to which this study will contribute.

2.1.1 Historical Perspective of CSR Reporting

Over time, it has become valuable for firms to adapt to a shift in responsibilities that embrace environmental and social objectives. The reporting of social and environmental matters where additional stakeholders besides shareholders are recognized is relatively new. Since the 1970s, it has been a topic of interest in academia. Mathews (1997) therefore decided to investigate the development of social and environmental accounting. Initially, academia focused mainly on the social aspects of CSR, where studies were mostly descriptive. With time, analyses were more common, and the environmental aspects became more central. Still, regulations for reporting were

limited. In the third and last period, starting in the 1990s, environmental matters had surpassed social ones.

The development of CSR literature has evolved also during this century. By investigating how reporting has changed between 2001-2020, Lin et al. found that disclosures have increased in quantity with time but have lost specificity simultaneously. Lin et al. (2024) states that this trend is plausibly connected to the mandatory regulations of CSR. Voluntary CSR reporting frameworks are associated with higher quality, while mandatory disclosure requirements result in more generic and less meaningful reporting. Still, it is unclear whether these differences are robust, and the effects of mandatory disclosure are ambiguous (Lin et al., 2024).

2.1.2 CSR Integrations in Organizations

While shareholders often report on CSR to enhance legitimacy or maximize shareholder wealth, personal values weigh heavier for state-owned organizations (Adams and McNicholas, 2007). According to O'Donovan (2002), the motivation for CSR disclosing can be explained through the legitimacy theory. Various reasons are found, such as gaining legitimacy, but also managing stakeholders and mitigating risks (O'Donovan, 2002). Symbolic CSR-efforts are therefore common, meaning that efforts are superficial without impact (Nardi, 2022).

While motivations for CSR disclosures vary, as do the approaches firms take when implementing them. To get insight into the CSR implementation of Swedish firms, Enquist et al. (2006) conducted a single-case study on the Swedish bank Swedbank. Swedbank had a well-developed CSR adoption, with operations that had shifted toward “social harmony”, that balance a shareholder-focus with focus on additional stakeholders. While this case demonstrates effective CSR integration, there are various barriers that can impede implementation efforts, including lack of knowledge and challenges in integrating CSR into existing aspects of the firm, such as strategy, performance metrics, and internal guidelines (Adams and McNicholas, 2007).

The challenges of integrating CSR into a firm's strategy can arise from their varying CSR incentives. *Innovation differentiation* aligns well with CSR activities, where activities often result in beneficial financial performance, while *cost leaders* often show lower engagement with CSR. *Marketing differentiation* has no clear correlation with CSR performance (Banker et al., 2023). Evidently, CSR engagement, while potentially beneficial, is not incentivized in all types of firms. Furthermore, a trade-off is present when trying to combine CSR engagement with performance metrics, such as short-term earnings targets. Environmental targets are, according to Thomas et al.

(2022), dismissed to meet financial ones, and it is surprisingly most prevalent in firms with a high CSR-focus. These firms justify short-term gains due to an accumulated strong record.

2.1.3 Regulation's Effect on CSR Disclosure

Regulatory instances have an impact on disclosure strategies of firms. By investigating eight firms from sensitive industries in France, Senn and Giordano-Spring (2020) studied how weak regulations, in terms of definitions and guidelines, limit disclosure. It is found that different logics are applied for environmental liabilities versus expenditure, with the former being faced with larger disclosing pressure. In France, environmental expenditures are regulated under a “comply or explain” principle, resulting in minimal disclosure. What is evident is that the framework for disclosure does not guarantee homogenous disclosures between firms, leading to problems in understanding and analyzing given disclosures.

While some articles point toward the need for regulations within CSR disclosure, there is not a full consensus regarding the compulsory aspect being fully beneficial. A standardized and clear regulatory framework can increase the quantity of reports, but consequently, quality can diminish (Haji et al., 2023). Reporting can get more symbolic, with risks for potential *greenwashing*. Still, there are positive aspects of making disclosure mandatory when it comes to the capital market, for instance in terms of lower information asymmetry and organizational change (Haji et al., 2023). The reduced information asymmetry helps investors make informed decisions, which positively affects market liquidity. This effect is stronger in countries that have strong enforcement of law, for example in regard to investor protection (Krueger et al., 2024). More specifically, CSR disclosures that lower information asymmetry can attract long-term investors with a preference for sustainable business practices, because of the decreased perceived risk of the company (Gibbons, 2023). A paradoxical conclusion is found, where positive outcomes are present even if the quality of reporting is lacking.

In 2017, EU's NFRD was set into action, which required large publicly listed firms in the EU to report annually on their CSR activities. A study by Fiechter et al. (2022) investigated its effects on firms and found that firms subject to the directive increased their CSR activities (such as establishing CSR teams, and implementing processes and policies), even before the rule officially took effect. The impact was strongest in firms that previously suffered from higher market pressure, described as “high-exposure firms”. The increases in activities, rather than mere reporting, indicates a low risk of *greenwashing* in this scenario. However, more generally, there is

a potential risk that mandatory reporting alone does not lead to meaningful operational actions within a firm. Since the intraorganizational impact of CSR and sustainability is underexplored, the credibility of accounting itself may be at risk (Songini & Pistoni, 2012). Stakeholders being concerned with potential *greenwashing* in sustainability disclosures, forces companies to use assurance as a tool to enhance the credibility of their reports (Channuntapipat et al., 2019b). In the initial amendment directive of NFRD, when disregarding Omnibus, limited assurance would be mandated for all CSR reporting. It is stated that there is a “potential for mandatory assurance to improve a firm’s sustainable reporting and performance” (Christensen et al., 2024).

2.1.4 Development of CSR Assurance

As previously stated, the trustworthiness of disclosures increases through assurance work. Sustainability within the audit industry is therefore becoming more essential (Power, 1991). The shifting professionalization of auditors is found to be challenging, lacking guidelines for how to incorporate necessary environmental knowledge. There is a tension between the need for specialized environmental knowledge and the traditional independence and objectivity expected of auditors. Finding the right balance between these aspects is a key challenge for the profession (Power, 1991). Developing a new field of SA requires adoption by different stakeholders. A case study conducted by O’Dwyer et al. (2011) looks at how legitimacy is gained from different important groups including clients, non-client users of reports and the internal risk management team. It is evident that differing types of legitimacy is sought for depending on the relevant group, where pragmatic legitimacy, showcasing value, is crucial for clients and the internal team while moral legitimacy, presenting societal benefits, is more relevant for the wider public.

Audit firms’ operation and reputation are affected by the integration of sustainability considerations into their regular operations. Gunn et al. (2024) contributes with a paper that provides a perspective of audit firms’ market reputation and client base and how they are influenced by the audit firms CSR activities. Gunn et al. suggests audit firms engaging in CSR activities gain more clients. This is especially prevalent for non-Big 4 firms, who lack a traditional reputational advantage and therefore can create a competitive advantage through SA services under the CSRD. An average net gain of 5.7 clients in the following year is experienced for firms that engage in CSR activities, compared to those that do not (Gunn et al., 2024). Auditors' behavior can have an impact on how client companies approach sustainability matters. By investigating potential links between auditors' sustainability focus and clients' sustainability reporting, a

“positive assortative matching” is found. The findings emphasize auditors' potential role as intermediaries in sustainability reporting, where auditors will become more important as sustainability focus grows (Liu et al., 2024).

2.1.5 The Work of Sustainability Auditors

Having explored literature in the history of CSR, how CSR affects organizations and how regulations can influence CSR disclosure in previous sections, this section aims to offer a practical perspective on the work of assurors. Employees' interpretations of SA can affect the outcome of the work. This is explored through the lens of sensemaking in an article by Bouten & Hoozée (2024). The importance of consensus and shared understanding within a team is highlighted. It was found that “Without organizational socialization, team members may not arrive at shared meanings and deviate from the team-wide assurance approach”. Individuals creating so-called “logics of action” through sensemaking can be problematic if socialization is not included in the process, leading to differences in focus areas and approaches in the assessments. This suggests that in assurance work, homogeneity of the outcome of the work is desirable and that it can be achieved through a shared understanding among the employees, that is in turn achieved through socialization.

Another theme highlighted in the literature of the work of auditors is their sense of meaningfulness and how it contributes to their work. A paper by Gaudy & Malsch (2023) studies French assurors and their search for meaningfulness in assurance work in relation to ethical considerations regarding sustainability. The findings of the study were partly that “The search for meaningfulness collapses when auditors realize not only the limits of their agentic and transformative capacities but also their unintended complicity in certifying the reports of companies with poor sustainability performance”. These findings highlight how auditors experience tensions between their personal values and professional responsibilities, leading to potential challenges regarding talent retention. The findings suggest a lack of coherence in the personal values of auditors and the work they perform can have negative effects on both the audits and the wellbeing of employees.

As the field of assurance work grows and the responsibilities of audit firms become greater, increasingly, audit firms find a need for specialized knowledge. This phenomenon is explored by Zimmerman et al. (2023), who look at how the audit quality is affected when specialists are integrated into the operation. The study found that involving specialists leads to lower audit quality,

when looking at restatements and absolute discretionary accruals. Still, involving specialists also was found to increase costs, showing that increased costs do not lead to improved quality. It is suggested that this stems from coordination and communication challenges between regular auditors and specialists. The findings propose a challenge for audit firms in navigating the need for specialization while mitigating the potential negative effects that come with it.

Another concept on the theme of the increasingly inclusive responsibilities of auditors is CSR's potential effects on the quality of financial assessments of client companies. Maso et al. (2020) examines whether audit firms that provide assurance for both CSR-related and financial reports, rather than solely financial reports, can achieve a higher standard in assessing going-concern risks. One of the aims with sustainability reporting is to depict relevant risks associated with CSR-concerns. Through assurance on these matters, the audit firm can gain deeper knowledge on material CSR risks and therefore better assess the firm's overall position. Knowledge spillovers from the CSR assurance team to financial audit team lead to better assessments, but at equal costs compared to purchasing the services from two separate providers. This suggests there are visible advantages that come from integrating and combining CSR-related assurance and financial audit within a firm.

However, there has been a lack of consensus regarding how sustainability assurance should be conducted. A study by Channuntapipat et al. (2019b) examines how different providers, accounting (ASAP) versus non-accounting (NASAP), promote the growing field. NASAP's state that ASAP's has a pure economic focus while they themselves have expertise and focus on sustainability and flexibility. ASAP instead highlight the benefits of a single provider of both assurance types when using ASAP's for SA. Furthermore, they state that they have a higher level of expertise in the assurance field and a deeper understanding of the client firm through the financial assurance services (Channuntapipat et al., 2019b). Since it is evident that ASAP's and NASAP's carry different types of expertise, a big four case study explores how they collaborate to establish what is material and not for sustainability disclosures (Canning et al., 2019), with a focus on the practicalities and evolving nature of SA work. ASAP's tend to use financial materiality frameworks when creating guidelines for sustainability materiality. The problem here is that financial auditing centers around quantitative data, while SA often relies heavily on qualitative data. Overall, the combination of ASAP's regulation-focus and NASAP's specific

expertise gives a good “skill set” for handling materiality (Canning et al., 2019). The collaboration between the different experts is shown to produce knowledge in relation to SA work.

2.1.6 Identifying the Research Gap

Prior research on SA work covers areas such as the role of a shared understanding among auditors in the quality of assurance (Bouten & Hoozée, 2024), as well as meaningfulness in the work of auditors and its potential effects on audits and auditors (Gaudy & Malsch, 2023). Furthermore, other areas explored by prior research are the increasing responsibilities of audit firms related to CSR, the evolving nature of SA work and how specialization within the profession affects both the outcome of assurance work and the profession itself (Canning et al., 2019; Maso et al., 2020; Zimmerman et al., 2023). Zimmerman et al. (2023) highlight the need for further exploration of the factors affecting collaboration between auditors and specialists. In addition to the internal dynamics of SA work prior literature review consequences of evolving regulations. Specifically, a study on the effects of regulations on SD quality (Senn & Giordano-Spring, 2020) identify a need for further research on “the role of environmental auditors and more generally on the evolution of scopes of needed competencies to produce EAI [environmental accounting information]”. Another study on SD quality emphasizes the ambiguous effects of regulations and expresses a call for future research on the effects of integrated reporting on stakeholder groups other than regulated companies (Haji et al., 2023). Although prior research explores both consequences of regulations and organizational dynamics of assurance work, there is limited research on the intraorganizational effects on auditing firms as a consequence of non-financial reporting directives. More specifically, the organizational learning required to ensure auditors are equipped with the appropriate knowledge to perform their job effectively. While Boiral et al. (2019) point to a potential lack of training programs to support the field’s professionalization, this paper will instead explore how such training is currently being conducted. This topic has recently become increasingly relevant due to the CSRD, especially since the responsibility of SA was initially placed on auditors. However, recent regulatory shifts caused by the Omnibus directive introduce a degree of uncertainty to the regulatory environment. Considering the CSRD and Omnibus, there is a lack of research especially on the effects on intraorganizational learning within audit firms. Our study aims to explore the evolving nature of the SA profession, in line with previous research recommendations by Canning et al. (2019), although in the context of learning.

To conclude, the literature review suggests that there is a gap in the research concerning the regulatory effects on the role of auditors in SA in relation to learning. It is crucial that this gap in the research is filled since auditors serve as an intermediary in the implementation of reporting regulations (Liu et al., 2024). In addition to filling the gap in the literature, our research could contribute in a practical sense to regulators and policymakers in the making of future CSR-regulations, where insights into how policies affect audit firms can be of value. In addition, the research could serve as a source for the creation and refinement of training frameworks for SA. Our study contributes to filling this gap in the research by exploring real-time learning and adjustment within an audit firm in the implementation of the CSRD. Aiming to discover dynamics of learning within audit firms in the context of uncertainty by exploring the research question; *“How do audit firms implement the European Commission's CSRD, amid regulatory uncertainty, in the context of organizational learning?”*.

2.2 Method Theory

To study how audit firms engage in learning and teaching processes required to navigate the CSRD and Omnibus, Organizational Learning Theory (OLT) (Argyris & Schön, 1978) is utilized as a broader theoretical foundation. The framework contains a range of theories, one of which is specifically considered in this study to have the potential to give valuable insights into auditors' adaptation to the implementation of the CSRD (Huber, 1991). Applying a method theory in a structured analysis enables central aspects of the findings to be systematically examined. In addition, a method theory strengthens the study's academic contribution by transforming findings from descriptive to analytical (University of Sydney, 2025), ideally making them comparable to previous research. OLT, stemming from the fields of behavioral psychology and organizational development, describes how organizations can engage in process optimization and change adaptation by acquiring, interpreting and applying knowledge (Argyris & Schön, 1978).

In the broader literature of OLT, emphasis is on how learning in organizations occurs at both individual and collective levels, on the contrast between single- and double-loop learning, along with barriers to learning. Compared to learning on an individual level, collective learning occurs through a formal setting such as training programs or policymaking and can have a larger impact as it becomes a part of the organizational memory (Argyris & Schön, 1978). Moreover, single-loop learning entails detecting and correcting errors while double-loop learning involves how organizations change their underlying beliefs to correct errors from the ground and up

(Argyris & Schön, 1978). Furthermore, barriers to learning are commonly used in traditional applications of OLT. Although these presented concepts lay the foundation for organizational learning and provide a useful theoretical background, they are not completely aligned with the data for this study. Therefore, the sub-concept of OLT outlined by Huber's dimensions of organizational learning is utilized. The theory is used to explain the current structure of learning processes within the case firm and perspectives of whether that structure supports or hinders organizational learning. In the next section the applied theory will be outlined.

2.3 Theoretical Framework

George P. Huber (1991) defines the four core dimensions of organizational learning as *Knowledge Acquisition*, *Information Distribution*, *Information Interpretation* and *Organizational Memory*. The dimensions can be interpreted as a linear process but are in practice of a more iterative nature. The framework further categorizes the four core dimensions into sub-constructs that can be used to further analyze each dimension. For the purpose of this analysis only relevant sub-constructs are analyzed.

The process of acquiring knowledge is central in the first dimension of Huber's framework. While Huber identifies five sub-categories of knowledge acquisition, only three will be applied in this study: *Experiential*, *Grafting* and *Searching & Noticing*. *Experiential learning* occurs as an operational process of collecting knowledge first-hand. This is either done with the aim of *adaptation* through reactive experiments, or in aspiration of *adaptability* through continuous experimenting. The generation and analysis of feedback is central to qualitative learning through experiments. Adaptability involves changing even when it goes well within the firm, and it can be necessary "for survival in fast changing and unpredictable environments" (Huber, 1991). Learning can also occur through cumulated experience, so called *experience-based learning curves*. Another method of acquiring knowledge is through *grafting*, either by acquiring another firm, or by hiring new employees with expertise. Lastly, knowledge acquisition also includes *scanning* the external environment, either actively or passively by staying aware of abnormalities.

Information Distribution is the second dimension of Huber's framework. It refers to how information is shared within an organization, affecting both the learning that takes place and its breadth. The process of distributing information between units is when *organization-wide learning* occurs. Without effective systems to distribute and locate information, knowledge can be

centralized into *localized knowledge islands*, causing the firm to underestimate and underutilize existing information.

The third dimension is Information Interpretation, “the process through which information is given meaning” (Huber, 1991). Huber suggests that both shared and varied interpretations can result in learning. While varied interpretations result in a wider range of possible behaviors, a shared interpretation results in better coordination when acting on the possible behaviors. There are several factors affecting whether it is possible to achieve a shared interpretation. This paper focuses on *cognitive maps* and *information load*, as they are most relevant to the study.

The last and fourth dimension of Huber’s framework addresses the concept of Organizational Memory. It refers to the retention of experiences, decisions and operations. The level of organizational memory can be negatively affected by personnel turnover, failure in estimating future information needs, or fragmentation of information between departments. The quality of organizational memory can be negatively affected by *member attrition*, namely employees leaving the firm with tacit knowledge. Another aspect of organizational memory is documentation of knowledge, the process of transforming tacit knowledge into explicit knowledge, minimizing the risk of member attrition and enhancing organizational memory. For the analysis of the data in this study the described processes and subconstructs of Huber’s framework are utilized, as outlined in the table below.

Table 1. Huber’s Framework

Constructs and processes	Subconstructs and subprocesses	
Knowledge Acquisition	Experiential Learning	Organizational Experiments
		Experimenting Organizations
Information Distribution	Grafting Searching and Noticing	Experience-based Learning Curves
		Scanning
Information Interpretation	Cognitive Maps & Framing Information Overload	
Organizational Memory	Storing and Retrieving Information	

3. Method

The following section presents the methodology of the study. The methodology consists of a research design, data collection, data analysis, ethical considerations and limitations & delimitations. All areas are adapted to fit with the aim of the study, to explore intraorganizational learning within an audit firm.

3.1 Research Design

The research design serves as the blueprint for how the study was conducted to answer the research question effectively. The methodological approach of the study is qualitative, aiming at understanding experiences, perspectives and nuanced, in-depth perceptions (Vaivio, 2008). Since CSRD leads to a new regulatory shift, where little is yet known of its impacts or how auditors will adapt to it, a qualitative approach, with its exploratory nature, is deemed appropriate. In addition, a case study approach has been chosen, focusing on a single audit firm and its implementation of the CSRD. Besides being exploratory, the qualitative approach has an ability to study social complexities. This is suitable for the study, as it aims to capture subjective experiences and interpretations.

A qualitative case study allows for exploration of real-life experiences of employees within their organizational context. Furthermore, the research design facilitates pattern identification and experience-based insights, which aligns with the study's purpose to understand intra organizational learning. Another advantage of a case study approach is its flexibility in data collection. Furthermore, a single-case study facilitates the combination of multiple sources such as interviews and internal documents, increasing access to complete data. As outlined in detail in the method theory section, the theoretical lens to analyze the data of the study is Organizational Learning Theory. Specifically, the study applies the theoretical framework of George P. Huber (1991), categorizing findings into Knowledge Acquisition, Information Distribution, Information Interpretation and Organizational Memory to structure the analysis. The theory supports the study's investigation of how training initiatives are perceived and integrated and how knowledge gaps and attitudes influence learning and change.

3.2 Data Collection

For the data collection, the participant and sampling strategy was affected by the choice of the single case study approach. The primary data source of the study is interviews, more specifically interviews with the personnel of the audit firm of interest. Due to confidentiality agreements, the identity of the firm will remain anonymous. The selected firm operates within the audit industry and was chosen based on accessibility combined with their current organizational sustainability integration. The interview data consists of eight interviews, four of them with employees of the sustainability team (ST) and the remaining with auditors and executive leadership. To provide a diverse perspective within the firm and to allow for comparison participants varied in seniority and roles. For sampling, a snowball strategy was used (Atkinson & Flint, 2001). An initial contact within the firm referred the researchers to the head of the ST who then selected relevant candidates. This, after having engaged in conversations with the researchers regarding the aim of the study and the desired diversity of candidates. The head of the ST then facilitated the coordination and scheduling of the interviews. Auditors, as an elite group, can be challenging to reach due to their billable hours system, long work hours and high status (Power, 2003). The contact at the firm selected the participants, as they were better positioned to determine who was appropriate and willing to participate.

The collected data consisted of a primary data source in the form of semi-structured interviews and a secondary data source of internal training and documents relating to the implementation of the CSRD. The documents were selected for their relevance to the training initiatives and internal communication on the CSRD. The secondary data was primarily used as material contextualize interview data and gain enhanced understanding of education materials. The secondary data is not disclosed in the references as it was not directly applied in the analysis and to adhere to confidentiality agreements. The choice of a semi-structured interview format was made to achieve consistency across interviews while allowing for agility to explore certain topics in greater depths or tailor interview questions to the specific expertise of the interviewee.

The interview guide was constructed to cover participant background (role, experience, etc.), perceptions of and engagement with CSRD-related training, reflections on organizational learning, values and historical views on sustainability within the firm (*See Appendix A*). The specified interview guide was first tailored to members of the ST, throughout the course of the study interview questions were adjusted to fit the specific background of participants. While the

specified topics were explored not all proved to be of analytical value. A detailed outline of the interview guide is included in the appendix. After the interview guide was created, it was personally tailored to each interviewee and iteratively improved as data was collected and analyzed simultaneously. Besides the outlined questions, the researchers asked additional questions to clarify, exemplify, or explore topics of potential analytical value that were brought up by the interviewee. Interviews were structured to initially ask introductory background questions to establish a harmonious setting for participants (Qu & Dumay, 2011). The first interviewees were more technical to fully grasp the organizational and regulatory context. Later interviews were primarily explorative in nature, which also decreased the necessary length of the interviews. In addition, a pilot interview was conducted to test the relevance, flow and clarity of the interview questions as well as testing optimal interview length. The pilot interview was conducted with an independent party and minor adjustments were made to question wording and transitions between topics of the interview guide afterwards.

Regarding procedures and settings, the interviews were conducted in a mix of in-person and online formats, approximately half of the interviews being conducted online. All interviews held in person were held at the office of the audit firm and interviews held online were conducted on Zoom. All interviews were audio recorded using the Voice Memos app while none of them were video recorded. Transcriptions were performed using Microsoft Word's built-in transcription tool. All interviews were held in a secluded area to ensure minimal distractions and freedom of expression and ranged between 25 and 60 minutes. To protect the anonymity of the participants who requested it, codes and reference titles have been distributed for each interviewee, as outlined in Table 1.

Table 1. Interviewees

Code	Reference Title	Title	Date	Duration	Format
I1	Sustainability Partner	Sustainability Business Advisory - Partner	24/02/2025	1h	In person
I2	Sustainability Member 1	Sustainability Business Advisory - Senior Associate	28/02/2025	45min	Online
I3	Sustainability Member 2	Sustainability Business Advisory - Senior Associate	04/03/2025	45min	In person
I4	Sustainability Director	Sustainability Business Advisory - Director	19/03/2025	45 min	In person
I5	ELT Member 1	Auditor & ELT Member	14/04/2025	45min	In person
I6	Specialist	Accounting Specialist & ESG Advisor	14/04/2025	35 min	Online
I7	Auditor	Auditor	17/04/2025	35 min	Online
I8	ELT Member 2	Auditor & ELT Member	29/04/2025	25 min	In person

*ELT = Executive Leadership Team

3.3 Data Analysis

For the analytical strategy the study applied an approach of thematic analysis for the identification of key patterns and themes of the interview data. Further, the analysis was partly inductive, allowing for natural themes to emerge from the data. However, the analysis was primarily deductive using OLT (Argyris & Schön, 1978). To structure the thematic analysis a framework was chosen to ensure a logical order and to simplify the process. The framework chosen was Braun and Clarke (2006), consisting of; *familiarization with the data, generating initial codes, searching for themes, reviewing themes, defining and naming themes, and producing the report*. Although the framework for the thematic analysis provided structure it was not used linearly since the data collection and the data analysis followed an iterative process.

Regarding the coding process, the initial coding was conducted manually in Microsoft Word, more specifically using a line-by-line coding process. These quotes were later inserted into an excel-sheet, where they were grouped into relevant themes. For each interviewee, quotes were collected together with a translation, paraphrasing, additional comments and sorted based on themes and subthemes with color coordination. Secondly, codes were grouped into broader categories, evaluated on their relevance to the research questions and purpose of the study, seen through the lens of the OLT framework. To strengthen the reliability of the coding process, the

initial coding was conducted by both researchers who subsequently presented and compared their structures of the initial coded data to identify the overarching themes through collaborative discussions. In practice the transcription was copied into separate documents and coded independently to then be merged into coded data through discussions. Additionally, to ensure transparency in documentation, the coding was stored in a separate document at various stages of coding, which was also used as an asset for review in the iterative process.

3.4 Ethical Considerations

Ethical considerations secondary to the quality of the report are addressed in this section, including considerations such as informed consent, anonymity, confidentiality and data security. Regarding informed consent for the interviews all participants were presented with a slide deck containing a brief introduction to the study prior to the interview. At the time of the interview the interviewees were then briefed on the purpose of the study in person before signing a written consent form provided by the university. In addition to the briefing and signing the consent form each interview subject was also asked whether they would like to be anonymous or not, some chose to remain anonymous whilst others requested not to be. To enhance coherence in data, all participants are anonymized by exclusion of names while their roles are disclosed for the benefit of the analysis, holding no consequence to anonymity as the firm remains anonymous. The firm will be referred to as ‘the audit firm’.

In the use of generative AI, the guidelines provided by SSE were adhered to (*See Appendix C*). For data security reasons the audio recordings were stored in a folder within Microsoft Word with restricted access to the two researchers. To transcribe the interviews the transcription function within Word was used and the transcribed interviews were subsequently stored within the same folder as the audio files. Finally, when the thesis had reached its completion all interview data was deleted permanently.

3.5 Limitations and Delimitations

In addition to the ethical considerations, certain limitations and delimitations were put on the research design. In total eight interviews were conducted with different employees of the firm which provides the study with multiple perspectives. However, a larger quantity of interviews would have contributed to a more nuanced dataset and could have improved generalizability. The number of interviews was restricted by the accessibility of employees of the firm. Another

limitation of the data is a sample bias brought by the snowballing of interviews, many of the interviewees had priorly expressed interest in sustainability. This has potential to skew the perspectives presented to be more positive toward sustainability within the firm than the average employee. Lastly, many of the interview subjects were requested to participate by their direct superior, which could have incentivized participants not to reveal negative portrayals of the workplace although anonymity was provided. Although not central to the analysis, another aspect limiting the data is the homogeneity of the genders of interviewees, potentially restricting the diversity of perspectives (*See Appendix B*).

Apart from the limitations above, certain delimitations were put on the research design to limit the scope of the study. The study is delimited to a single large Swedish audit firm, although this choice allows for an in-depth analysis of the perspectives within the firm it limits generalizability across different firms and audit firms across multiple countries. In addition, the scope is delimited to the internal learning processes of the firm and does not consider the outside perspectives of clients or policy makers. Lastly, the timeline of the study places limits on the long-term effects of the CSRD implementation and focuses on early-stage viewpoints of the intraorganizational effects.

4. Empirical Analysis

4.1 Background

4.1.1 The Company

The chosen audit firm for this case study is a company offering auditing and advisory services. The firm is part of an international network, which operates in over 160 countries. In Sweden, there are roughly 700 employees spread across 16 offices. The Swedish firm was established by its founder in 1948, but in 1973, the firm joined a global network. From the audit firm's public website (accessed 2025), the company's purpose is portrayed to align with a distinct focus on relationships, both internally and toward clients. This is shown through the winning of awards for "Most satisfied customers" and "Sweden's most attractive employer". In Sweden, the audit firm is built on four regions: Mälardalen, Norr, Syd, and Väst (Allabolag, 2024). This study will mainly focus on the dynamics at the Stockholm Office, which is part of the region "Mälardalen". Nevertheless, the perspectives of other regions will also be covered to get a more holistic view.

4.1.2 The Sustainability Department

The audit firm is divided into five main departments; Advisory Services, Audit, Tax Advisory, Reporting and Salary. This study mainly focuses on the Sustainability Team and the Audit Department. While the Audit Department is a department, the sustainability team is one of the four sub-departments located under the Advisory Services Department, among the sub-departments: Corporate Finance, Financial Reporting Advisory and Risk Advisory Services, according to the company's publicly available website (accessed 2025). In an interview, the Sustainability Partner explains that the sub-department was first founded in 2020 by himself and has over the past five years increased in size to 11 employees (I1). In 2021, the current Sustainability Director of the sustainability team took over, focusing primarily on ESG advisory services while the partner remained as the responsible authorized auditor on the team.

The team consists of two authorized auditors, the Partner and the Director. Other team members have diverse professional backgrounds from finance and audit to sustainability within the non-profit sector. The team has two focus areas of service: consulting services and sustainability audit services. While the team performs other activities such as ESG due diligence in valuation processes connected to the corporate finance department, such activities are secondary to the two main ones. The team is divided into employees engaging with their consulting offerings and others with more expertise in sustainability audit. Some employees within the team engage in both consulting and audit processes, although not for the same client since that would infringe on independence requirement (Revisorsinspektionen, 2025a).

In the case of the sustainability audit activities, extensive collaboration with the audit department is required since ESG and financial information in many cases are presented in the same report, which will include more companies going forward due to the CSRD. Sustainability Member 2 emphasizes early-stage collaboration with the responsible audit team to be essential to manage double materiality and internal controls and to prevent double work from the teams (I3). Because of the CSRD the sustainability team has as of 2023 started engaging in the formation and execution of internal education of audit staff on sustainability audit (I4). This has created an additional activity for the team and some employees have received the responsibility of leading the education program alongside their other responsibilities. Looking ahead, continuation of these educational efforts is affected by the Omnibus directive.

4.1.3 Education System for Authorized Auditors

To become an authorized auditor, one needs both theoretical education and practical experience. The theoretical requirements for an authorized auditor are mainly covered by the aspiring auditor's university degree, where the formal requirements are at least a bachelor's degree including 11 core subjects such as auditing, accounting and commercial law (Revisorsinspektionen, 2025b). In addition to the theoretical education the authorized auditor is required to have undergone a minimum of three years of practical experience reporting to an authorized auditor and as of 2026 an additional minimum of eight months of sustainability related work to meet the requirements of CSRD assurance eligibility (Revisorsinspektionen, 2025b). The final requirement in the process of becoming an authorized auditor is taking the final exam. The process of becoming authorized is often supported by the aspiring auditor's place of work if currently working within an audit firm, the test is a two-day exam and is administered by the Swedish Inspectorate of Auditors.

Although once an auditor has taken the final exam and applied for authorization the process is technically complete, being an authorized auditor requires continuous education. The formal requirements of the continuing development of the authorized auditor are 100 hours of continuing professional development (CPD), which must be renewed every five years. The Sustainability Director explains further that for the CPD, the CSRD has an impact as well. The CPD for an auditor with sustainability assurance (SA) eligibility contains an additional 40 hours of sustainability related training every five years (I4). For audit firms to meet the CPD requirements, the Association of Authorized Public Accountants (FAR) defines learning goals for audit firms to construct programs of further education of their employees. In the instance of the audit firm, an internal training system has been developed where some training is offered internally while others are offered by other organizations, such as FAR themselves (FAR, 2025).

The audit firm's formulation of the CPD program for financial auditors has been developed and refined over time. However, in an interview with the Sustainability Director, who also is the person responsible for the CSRD-focused education within the firm, it is explained that the program was launched in 2024 and is still in its early stages. The learning objectives of FAR have been updated to include CSRD and audit firms have a responsibility to implement these, however, the extent of the implementation is tentative due to regulatory uncertainty regarding the Omnibus act (European Commission, 2025c).

4.2 Timeline

In this section, a timeline of CSRD, its implications for the audit firm and the planning and execution of internal learning programs are presented. The occurrence of Omnibus serves as a breakpoint, splitting the timeline into two distinct periods.

The European Commission first presented the European Green Deal 2019. As part of the initiative, CSRD was later presented in 2021 (European Commission, 2025a). The increased requirements of CSR reporting brought by CSRD has significant secondary effects on audit firms since limited assurance is required by an independent auditor, much like financial information. In late 2022 and during 2023 the audit firm began internal discussions on CSRD and potential implications for their operations (I1). While strategic planning and decision making was primarily conducted at the senior executive level, the ST was involved in scenario planning and initial assessments. It was decided that early SA work was to be conducted by the sustainability team and later as the CSRD came into effect, members of the financial auditing team would bear the responsibility of SA. This planned shift in responsibility can be explained by the significant scope of the CSRD, which would produce a quantity of CSR reports beyond the auditing capacity of the ST (I1). The ST was therefore tasked with the responsibility to construct and teach an education program designed to train audit personnel in SA work. The program was initiated and is currently led by the Partner and the Director (I1; I4).

After a limited form of education for auditors which was initiated in 2023, the education got significantly expanded last year. The Partner explains that “all audit firms in Sweden are responsible for educating their own staff, this is something that the industry has agreed upon. The professional association offers its own courses, but it is up to each firm to ensure their personnel are properly trained.” (I1). The professional association referenced is the Association of Authorized Public Accountants (FAR), who both formulate learning objectives and offer some courses aimed at fulfilling said objectives. In 2024, the audit firm arranged its SA education into four levels. These levels are “newly hired auditors”, “senior associate”, “managers”, and finally “underwriting and partners”. This division was created since members of the different levels work with different issues (I1). The four-tier training program was launched and held during 2024. After the educations were conducted, the ST realized a knowledge gap regarding limited assurance and proceeded to create and conduct an additional education module for all auditors (I1). Besides the

more formal training program, both voluntary lunch lectures (I2) and practical training for interested auditors (I7) is offered.

On February 26th 2025, the European Commission introduced the regulatory proposal Omnibus (European Commission, 2025b). From the perspective of auditors, this created uncertainty regarding the size of their client base and their work going forward (I5). Auditor's clients are challenged in deciding whether an investment in SA will be worthwhile, and the outcome of Omnibus is the main aspect affecting this decision. The change in regulatory pressure affected the audit firm's planning and as a result, the training of audit personnel was put to a halt. Before CSRD, most SA work has been carried out solely in the ST, where they get contacted by auditors when SA work needs to be conducted for a client. With the implementation of CSRD, the initial plan was to hand over that responsibility to auditors, through the planned education. Because of Omnibus, this plan was halted, and the continuous collaboration between the ST and auditors is therefore seen as critical. When speaking to the responsible members of the ST, it is evident that the goal of educating auditors has shifted because of Omnibus. The partner, being interviewed prior to the shift, expressed that the education program was aimed at making auditors proficient in SA work. All other employees were interviewed after the regulatory proposal was released. The goal of the education is now, rather than making the auditors independent, described as ensuring that auditors know when to contact the ST (I4).

4.3 Analysis

This section presents the empirical findings from the interviews conducted at the audit firm. Drawing on Huber's theoretical framework on organizational learning, the presented data will be structured according to the four dimensions: *Knowledge Acquisition*, *Information Distribution*, *Information Interpretation* and *Organizational Memory*.

4.3.1 Knowledge Acquisition

The knowledge acquisition of the firm relates to the firm's processes of gathering relevant knowledge in relation to CSRD. The processes are primarily conducted by the ST to attain specialized knowledge of regulations. A member of the ST explains that part of their ongoing responsibilities is gathering information on the CSRD from the European Commission, interpreting working papers from their international network of organizations and communicating that information within the team (I4). A characteristic of the ST is the absence of staff turnover

which serves as an advantage in the knowledge acquisition processes of the team; “We have all been here for a very long time and have not changed jobs, which means we have good knowledge, not only in relation to the regulations but also in relation to each other. Knowing who is an expert makes it easy to navigate” (I2). This illustrates how a strong *experience-based learning curve* can aid in the process of knowledge acquisition since it improves efficiency by avoiding mistakes and leads to developed routines for data collection. The absence of *employee turnover* allows for the accumulation of *tacit knowledge* within the team. However, the not yet experienced employee turnover poses a risk of accumulated tacit knowledge getting lost once it occurs. This issue is further presented in the section on *organizational memory*.

Apart from gathering information on regulations, another aspect of the knowledge acquisition by the ST is related to the formulation of the training. For the ST to formulate an effective training program it can be crucial to have information on the current knowledge of auditors as well as information on how participants receive the trainings to allow for iterative improvements. A member of the ST explains that they perceive the feedback received from auditors on the trainings as positive since many participants display interest by asking questions, but that no formal channel for feedback is currently in place (I2). When describing the reception of the trainings the employee states “It is always difficult to know if you are successful” (I2). This showcases a lack of *formal feedback channels* for the education, potentially limiting the ST’s ability to improve and tailor education based on auditors’ reception of it.

Due to the Omnibus directive, the regulatory environment affecting the operations of the firm is characterized by uncertainty, highlighting the importance of *adaptability* (Huber, G. P., 1991). When the CSRD was first presented the firm realized a need for adaptation by educating audit staff. However, when the scope of the CSRD was reduced, the company temporarily stopped the education efforts of audit staff (I4). A member of the ELT explains their perception of the sustainability efforts of the company; “I think that unfortunately it is mostly governed by regulations”, underlining the importance of scanning the regulatory environment in the strategic knowledge acquisition of the leadership team (I6). This perspective in combination with the temporary discontinuation of the training portrays a strategical mindset aligning closely with *adaptation*, as opposed to *adaptability*. In this situation, adaptation is meeting SA knowledge requirements by regulatory standards while the more aspirational adaptability would be achieved through meeting internal SA knowledge requirements in the absence of the regulatory standards

by the CSRD. Therefore, the firm showcases a lack of adaptability in the education efforts of audit staff.

Another aspect of knowledge acquisition conducted by the firm is hiring employees for their sustainability expertise, referred to as *grafting*. A member of the ELT shares their perspective that grafting has been part of their strategy in attaining sustainability knowledge (I8). The hiring of the Sustainability Partner to lead the ST is highlighted as a strategic recruitment of an experienced sustainability auditor (I8). Targeting hires for their expertise is revealed to be characteristic for the recruitment of members of the ST and was expected to continue but was impeded by the Omnibus directive. “We foresee expanding the team in the long term, but the pace is currently slowing down due to the Omnibus proposal” (I8). It is revealed that the uncertainty brought by the Omnibus proposal affects the firm's ability to engage in grafting, challenging their acquisition of sustainability knowledge.

4.3.2 Information Distribution

Analyzing the firms learning through their information distribution capabilities is essential to understand how unit-level or individual knowledge is transformed into organizational learning. When analyzing the information distribution within the firm, emphasis is placed on the formal learning program of SA and how this program was affected by the Omnibus directive.

As mentioned in previous sections, the mandatory SA education of audit staff started in 2023 at the firm and was further developed and expanded in 2024. The education program was derived from the learning objectives formulated by FAR, although the learning objectives are only set as a “minimum standard” for the training program (I4). The firm recognized a need for audit personnel to conduct SA independently to a large extent, due to the significant scope of client companies affected by the CSRD. A member of the ST expresses this point in an interview; “We cannot tackle all tasks that exist on our own” (I1). The employee explains that the ST would only be involved if issues requiring their special expertise would occur. Thereby, the education program was not only to comply with external requirements, but also to meet an internal need. This is demonstrated by the firm including additional four hours of mandatory training on limited assurance for all authorized audit personnel (I1).

Another member of the ST shares their perspective on the readiness of audit personnel to conduct SA independently; “...they won't want to because they don't have the education or the training hours that you need for it” (I3). The employee shares further an estimation that a hundred

hours of education and practical experience would be necessary for a financial auditor to conduct SA according to the CSRD independently. In accordance with the member of the ST, an auditor within the firm who has recently chosen to specialize in sustainability shares that practical experience received as part of their education has contributed to a better understanding of SA (I7). However, practical experience is not currently part of the mandatory education of already authorized auditors, highlighting an insufficiency in the education program. While the training program is adapted to internal needs, the lack of practical components in the training reveals a *structural vulnerability*. An over-reliance on the external learning objectives of FAR is identified in the formulation of the education program before the Omnibus directive, where the required SA experience of auditors is underestimated.

However, the risk of insufficient education is no longer present due to Omnibus' associated uncertainty. Omnibus leads to ambiguity regarding the structure of who bears the responsibility to perform SA work at the audit firm. If Omnibus is approved, the client base affected by CSRD drops from 64 to 11 firms (I5). As of now, the job is therefore planned to be performed by the ST (I5; I8). ELT Member 2 shares Omnibus' implications on the education plan; "...the industry will not demand the same level of education efforts. Among our auditors, not as many will need to review sustainability reports as was previously thought" (I8). As stated by the Sustainability Director, it is not feasible to conduct costly education, if it is later found to be redundant. Omnibus has led to a scenario where compulsory education aimed at making auditors independent in SA work is of less importance. Instead, collaboration will be central.

The Swedish culture is stated as a potential barrier of collaboration, where Sustainability Member 2 states that "swedes tend to stick to their department" (I3). Through the interviews, aspects which previously negatively affected the collaboration was brought up by the ST. The late timing or absence of involving the ST has previously been an issue (I2). This creates "a hidden problem", as the ST cannot act on information that they have not acquired (I2). Further, the interviewee stated that auditors fail to grasp the full extent of the responsibilities of the ST and the rationale behind their pricing, since the auditors are not well-versed in the regulations or scope of the work. The Sustainability Director agrees and points out how this issue will have greater impact on their work due to CSRD even considering the Omnibus directive. With the new directive, they must "plan together and have joint start-up meetings. You can't just be an expert who is involved

at the end. We must work together from the beginning. It's about risk assessments, understanding the company - it's a joint effort."

To establish a well-functioning collaboration across the ST and the auditors, education will partly focus on the collaborative aspects of the SA work. Henceforth, auditors will keep the responsibility of signing off the assurance work, which further indicates that some level of education will be required to ensure a degree of independence. With Omnibus' potential relief in regulatory pressure, one potential consequence is that resource allocation to the training program will diminish. The potential fall in the number of affected clients, going from 64 to 11, has halted the ongoing training efforts. This showcases how uncertainty places constraints on resource allocation, hindering distribution of knowledge. The sustainability knowledge in the organization will because of this remain highly centralized in the ST. Although the ST's knowledge of sustainability is profound, the distribution can be considered suboptimal. The current structure of knowledge is not characterized by firm-wide learning but is more accurately perceived as a *localized knowledge island*.

This decrease or shift in mandatory education as a result of potential regulatory reliefs, may result in disproportionate focus on the voluntary learning at the firm. Although it may be resource efficient to focus on the internal SA work of the ST alongside voluntary education, it limits the organization-wide knowledge of SA. According to Huber, firm-wide learning requires *widespread dissemination*. Therefore, if the firm aspires to achieve organization-wide knowledge of SA, it is not appropriate to be overly reliant on voluntary training as it causes a *self-selection bias* in learning and *uneven information distribution*. Consequently, the *structural centralization* of SA activities within the firm could hinder intraorganizational learning.

As previously stated, the practical components of the training have, as of now, not been offered to all auditors at the firm. While a relief in internal training planning has been outlined above, FAR currently still requires eight months of practical training to get full authorization as an aspiring auditor. If already authorized, an auditor only needs to complete the 40 hours of education within five years to keep their authorization (I5). For aspiring auditors, practical training is required on top of those education hours (I5). A member of the ELT state that it will be difficult to provide the necessary scale of practical training, "Now we only have 11 clients left. How are we going to accommodate so that all those people can get the opportunity to work for eight months? It will be very difficult..." (I5). Due to the regulatory nature of the training program, the

information distributed to the audit personnel is heavily reliant on FAR's learning objectives. This reliance aids the ST in the formulation of the training program but limits autonomy. The same *structural vulnerability* because of over-reliance on FAR's learning objectives is revealed also after the Omnibus directive, although in connection to excessive education as opposed to insufficient education. This means that auditors less involved in SA work could still be required to undergo training due to the lagging adaptation of regulations by FAR. The reliance on external inputs is therefore identified as a potential challenge for intraorganizational learning at the audit firm.

4.3.3 Information Interpretation

Distributed information is also interpreted by the receiver, and this interpretation is affected by various factors. Understanding how members of the audit firm interpret information is crucial for understanding and reveals potential challenges within the learning of the organization.

The cognitive maps of all relevant employees at the firm affect the implementation of the CSRD. Through their thoughts on meaningfulness at work, ideas of the employees' cognitive maps are investigated. Within the ST, some were motivated through profitability and strategic focus, while others were driven by the feeling of "contributing to a better world" (I1; I2). A member who previously worked mostly with NGOs, states that "it's really rewarding to work with companies that might not be sustainable at all but at least help them to be transparent about it" (I3). Outside of the ST, motivation was driven by various factors. These include individual development (I6), combining systematic and social tasks (I7), and the ability to build trust within society and "ensuring that companies work on the issues they say they are doing" (I5). In connection to SA education, an ELT member states that "it's obvious that we need to learn completely different things than we have been able to do historically, at least as auditors" (I5). This difference in financial in contrast to non-financial thinking is exemplified by how auditors view SA as "less rigid" (I1).

According to members of the ST, different levels of interest in SA is presented by members of the audit department. The levels of interest can subsequently affect the auditor's interpretation of the training. According to some members, these differences are only seen at a personal level (I2; I3), while others have observed clear subgroups. The Partner has identified how different age groups engage with the material; "those who have the biggest interest in the area are definitely senior auditors. Those who work with larger clients. They have been really active in learning".

Besides the senior associates younger employees are also showing interest, while few in the middle segment want to engage in sustainability matters (I1). The Sustainability Director, being the main responsible for the education, sees a clear difference in gender, as questions from women are more prominent during training. The Director also finds a difference in how age groups engage in the material. Where more senior auditors often focus on the regulative aspects, younger auditors are often more genuinely interested.

It is evident that there are differing perspectives and cognitive maps that potentially could hinder a shared interpretation across the groups. However, from the perspective of Huber's theoretical framework, whether the auditors and sustainability team have a shared interpretation is not central for the resulting quality of their work and collaboration. Provided that the personnel aspire to learn about CSRD, it has minor consequences if the person is internally or externally motivated to do so. Although this holds true, underlying differences in cognitive maps still impact the audit firm. More specifically, the differences seem to affect whether Omnibus is perceived as positive or negative. A member of the ELT, while fearing that there may be some truth to the expression "what gets measured gets managed", still points out some positive effects of omnibus. It leads to more preparation time so that the final product will be of better quality, and internally it leads to a flatter learning curve for financial auditors according to the ELT member (I5). For several members of the sustainability team, Omnibus instead leads to "frustration" (I4) and contributes to overall uncertainty which makes their operational approach unclear. A member stated that "it is disappointing to see that we're taking some steps back now [omnibus]. While it might be easier on companies, it feels like they kind of forget the reason why we had those regulations [CSRD] in the first place." (I3). This is contrasted with the positive aspects mentioned by the ELT, where they see potential long-term benefits since quality could be improved through a less pressured training period (I5; I8).

Another aspect of organizational learning where information interpretation is central, is the *framing* of the training program. As portrayed in the section on information distribution, the perception of ST Member 2 is that auditors have an insufficient understanding of SA and the current responsibilities of the ST. In accordance, ST Member 2 shares a similar perspective; "They might think we are doing less deep digging than we actually are. I think that's the main thing. So, we are really looking at the whole value chain and for financial auditors they might not know that or understand why we do that". Provided that auditors could benefit from a deeper understanding,

the training would be required to incorporate the complexity of SA. However, formulating the education to showcase the full complexity of the work poses a risk of *information overload*, hindering the knowledge attained by auditors as opposed to enhancing it (Huber, G. P., 1991). In alignment with the theory, members of the ST recognize the importance of simplicity; “Focus is placed on trying to explain it in a way that an auditor understands. It should be easy to understand”. The aspect of weighing the complexity and simplicity of the training program highlights a challenge in the framing of the education.

The concept of information overload is, in addition to the framing of training programs, also central to the magnitude of mandatory education for authorized auditors required by FAR. To remain authorized with sustainability certification the total hours of education over a 5-year time-period increases from 100 to 140 hours (I4). A member of the ELT states that it is out of the ordinary to allocate educational hours, in this case 40 hours, to a specific area of expertise (I5). Besides challenges in successfully offering this increased level of education, it also increases the risk of information overload. The Sustainability Director expresses a concern that auditors may choose not to keep their sustainability certification to circumvent the additional hours of education if sustainability does not align with their daily work. In line with the perspective of the Sustainability Director, the Sustainability Partner shares how the additional hours increase the workload of auditors which is believed to be problematic as the audit industry is currently understaffed.

4.3.4 Organizational Memory

The last dimension of learning within organizations involves how knowledge is stored. Organizational memory refers to the maintenance and storage of knowledge over time and can serve the function of extending the lifetime or immortalizing knowledge within the firm. As mentioned in the section on knowledge acquisition, the ST has strong tacit knowledge due to their experience-based learning curve. There has been no staff turnover since the establishment of the team and their high level of regulatory and collaborative expertise contributes to high-quality work (I2). Still, it is uncertain how the knowledge of the team, with its tacit nature, would be affected if a member were to leave. In theory, when a knowledge base is heavily reliant on tacit knowledge it poses a risk of member attrition, negatively affecting the knowledge of the team.

Within the audit profession, many processes are standardized through frameworks and working papers. After CSRD was released, the Director within the ST started working on adapting global working papers to fit with Swedish requirements and regulations (I4). Since standardized routines are utilized when conducting assurance work, a lot of organizational memory is automatically created. The documents have the potential to serve a secondary purpose of educating audit staff, although this purpose is currently not utilized within the organization. The documentation relates largely to processes of SA work rather than the knowledge that it requires, implying that the knowledge itself is not readily available for members of the firm. As opposed to keeping information formally documented for the benefit of employees of other departments, Sustainability Member 1 mentions that many auditors who are about to take the authorization exam ask individually regarding sustainability matters. While the knowledge is not documented, this still indicates that knowledge can be found by auditors at the firm.

An identified challenge in the externalization of sustainability knowledge is the uncertainty caused by the Omnibus directive. If the team would commit to documenting specific knowledge of the CSRD, the uncertainty surrounding the directive poses a challenge in the documented data being tentative and possibly irrelevant in the long term. Omnibus has put the audit firm in a position where external communication needs to be uniform. Sustainability Member 2 emphasized a desire to create clarity for the clients. While the team is attempting to create a communication strategy to reach uniformity, it is explained as a current issue within the team (I3). While the communication is partly done by the ST, auditors are often the main responsible party for client communication. For auditors to follow uniformity in external communication, it is important that the communication strategy is documented and readily available for the affected auditors. Without documentation of knowledge and guidelines, communication risks becoming deficient.

5. Discussion

The aim of the study is to answer the research question *“How do audit firms implement the European Commission's CSRD, amid regulatory uncertainty, in the context of organizational*

learning?”. This section extends the analysis by emphasizing how the study contributes to the relevant domain.

Much of the current literature on the work of sustainability auditors brings attention to individual influences (Bouten & Hoozée, 2024; Gaudy & Malsch, 2023), such as sensemaking and meaningfulness, as well as structural factors (Zimmerman et al., 2023) such as distribution of knowledge and collaboration, which all affect the work of sustainability auditors. While this research looks at regulatory effects and dynamics at work, the literature review emphasizes a need for more research on organizational learning. More specifically, in the light of regulatory uncertainty there is limited understanding of how learning is practically navigated by audit firms.

In a broad sense our findings contribute to the literature domain by providing a new perspective that highlights intraorganizational learning in regard to the implementation of CSRD, and the challenges it entails, specifically given the surrounding regulatory uncertainty. The study applies Huber’s framework on organizational learning and concludes that learning can be found in all core dimensions of the framework. Besides internal education, other instruments such as grafting and searching are utilized to create and distribute knowledge.

The study finds that regulatory uncertainty constrains the audit firm’s resources which subsequently affects learning. More specifically, it is found that grafting as well as the training program for auditors has been put on hold as a consequence of Omnibus. A lower utilization of resources, with less mandatory training and emphasis on voluntary education, increases the likelihood of a localized knowledge island. While Omnibus contributed to this risk, its tendencies had been apparent prior to this regulatory shift. The ST has a history of successfully working together, which has produced considerable tacit knowledge. While staff turnover has not yet occurred within the team, potential staff turnover poses a risk of member attrition, where knowledge dissipation occurs. The need for documented knowledge has become even more substantial because of the regulatory uncertainty that the audit firm faces. Documentation will be valuable both in terms of training to improve collaboration and to generate an external communication strategy. While the study finds documentation to be important, documenting is challenged by Omnibus since uncertainty can diminish the precision and soundness of the produced documentation.

In addition, our study identifies challenges in the formulation of the mandatory education program for authorized auditors, where an over-reliance on external frameworks is revealed. Prior

to the consideration of the Omnibus directive, the intention of the education was to suffice for financial auditors to independently conduct SA in accordance with CSRD. Perspectives of ST members revealed that auditors were unprepared to do so. This is found to be a consequence of relying on the learning objectives of FAR in the formulation of the program, as opposed to internal needs. The same reliance on FAR's learning objectives is found also after adapting to the Omnibus directive, although in connection to excessive education as opposed to insufficient education. The study also finds differences in the cognitive maps of employees and its influences on the reception and development of the training program. This contrast is not found to affect their interest in engaging with the education. However, the cognitive maps of auditors seem to affect their understanding of the material. This poses a challenge in the development of the education since complexity must be weighed against simplicity. Members of the ST underline the importance of providing auditors with a deep understanding of SA for effective collaboration, while simplicity is a priority for the framing of the trainings as to not risk information overload and hinder learning. The perspectives presented represent the main findings of the analysis, in the following section the contributions of our study are presented in the context of prior literature.

5.1 Contribution 1: Interaction of Knowledge and Communication

The first contribution of this study relates to the dual connection between knowledge and communication in the learning processes examined. Besides how communication leads to knowledge, it is also found that knowledge can be required for effective communication. While researching organizational learning, it was found that collaboration is a central component of the learning process. Consistent with (Canning et al., 2019), our study found that communication within collaboration can create knowledge. While the article looked at collaboration between ASAPs and NASAPs, our study observed how long-term collaboration within the ST created a considerable amount of knowledge. A contributing factor for this successful communication within the ST is the shared cognitive maps of the members. In line with (Bouten & Hoozée, 2024), this further emphasizes how a shared interpretation is essential for SA work, but in terms of knowledge creation rather than for SA quality. Communication's effect on knowledge is also exemplified by how feedback, as a form of communication, was found to be essential for the learning program and knowledge creation.

The study also found the opposite relationship, where effective communication cannot be achieved without underlying knowledge. Within the intraorganizational context, a lack of

knowledge is the explaining factor for the insufficient communication which negatively affects the collaboration between the teams. This is consistent with the study by Zimmerman et al. (2023), where integration of the ST's expertise with the auditors is found to be challenging. While its effect on profitability is not investigated in our study, it is shown that insufficient understanding of SA work affects the collaboration between the teams. More specifically, it is affected negatively as a result of auditors being unaware of when to reach out to the ST during collaborative processes or for special expertise. Thereby, our study adheres to the suggestion by Zimmerman et al. for further research that investigates factors affecting collaboration. It is found that the lack of knowledge, as a consequence of diverse cognitive maps of employees, subsequently creates less than optimal collaboration.

Furthermore, when looking at knowledge's effect on communication through an interorganizational perspective, it is found that effective communication with clients is hindered by regulatory uncertainty. Without knowledge regarding the magnitude and structure of future regulations, the firm cannot provide informed recommendations for their clients. Through the identification of the reciprocal relationship between knowledge and communication and its effects on learning, the study contributes to the literature. Specifically, by providing a new perspective on factors affecting the facilitation of learning and collaboration for SA within audit firms amid regulatory uncertainty.

5.2 Contribution 2: The Ambiguous Effect of Regulatory Uncertainty

The secondary contribution of the study reveals insights on the effect of regulatory uncertainty on audit firms. The literature review reveals a lack of consensus for whether regulations are beneficial (Senn & Giordano-Spring, 2020; Haji et al, 2023). In alignment with previous literature our study finds that regulations have an ambiguous effect on audit quality, however, analyzed from the perspective of learning. Our study finds dimensions of uncertainty promoting learning by providing regulatory relief. Although uncertainty does not inherently contribute to regulatory relief the interpretation of the Omnibus directive provides the audit firm and clients with additional time in transitioning. By investigating the regulatory effects on another affected stakeholder, in this case audit firm, rather than a company regulated by non-financial reporting directives, our study adheres to the research recommendation of Haji et al. (2023). Since an unpreparedness of both auditors and clients was revealed in the study, the regulatory uncertainty has potential to improve learning through a more gradual learning curve, contributing to increased SA quality. However, our study

also finds that regulatory uncertainty has an adverse effect on the implementation of the CSRD by audit firms. The analysis reveals perspectives of uncertainty contributing to challenges for the audit firm, where regulatory uncertainty can lead to frustration and constrain the allocation of resources by the firm, thereby affecting learning negatively. Activities contributing to the learning of the firm such as grafting and the training program for auditors have been put on hold as a consequence of the Omnibus directive, impeding learning within the firm. In accordance with future research recommendations (Senn & Giordano-Spring, 2020), our study researches the evolving competence requirements of “environmental auditors”. The findings of this study reveal that the uncertain regulatory environment of the CSRD and Omnibus significantly affects the firm's requirements of auditors SA competencies, however that the requirements of the external institute FAR are not affected at a comparable rate. This difference reveals a structural vulnerability in the over-reliance on external frameworks in the requirements on auditors' competencies in SA. Thereby, this study contributes to the literature through presenting a duality in the ambiguous consequences of regulatory changes and practically exhibits how uncertainty is processed by audit firms.

6. Conclusion

The adoption of the CSRD has several significant implications for audit firms and the profession collectively, especially amid regulatory uncertainty, that is yet to be investigated in literature. Our study explores this by posing the research question; *“How do audit firms implement the European Commission's CSRD, amid regulatory uncertainty, in the context of organizational learning?”*. The precise issue is explored by conducting a single case qualitative study on a large Swedish audit firm. The data collection was primarily undertaken through eight interviews with members of the sustainability team and audit personnel of the firm to provide comparable perspectives. The empirical data was then observed through the lens of Organizational Learning Theory, and more specifically analyzed through the use of a theoretical framework derived from Huber (1991). The analysis reveals findings of how different aspects of the firm's knowledge acquisition, information distribution, information interpretation and organizational memory are affected by the implementation of the CSRD amid regulatory uncertainty. The findings highlight implications of cognitive maps, resource constraints, collaboration, and knowledge dissemination for the formulation of the education program for auditors on sustainability assurance.

6.1 Summary of Contributions

Two main contributions to the academic domain of sustainability assurance can be derived from the study. Firstly, a reciprocal relationship between communication and knowledge is identified. While communication serves as a tool for both sharing and creating knowledge, some communication requires a foundation of knowledge to be effective. Both perspectives are significant in relation to organizational learning. This contributes to the literature on the work of auditors by providing a new perspective on learning processes in collaboration. Secondly, our study also contributes by revealing the ambiguous effects of regulatory uncertainty. By demonstrating how uncertainty can be perceived at an audit firm, the study assists in gaining insight of how regulations are interpreted and approached by audit firms. Along with the theoretical contributions, the study also provides practical insight into the learning processes in the implementation of non-financial reporting directives of audit firms and policy makers.

6.2 Limitations and Future Research

While the findings are valuable, there are certain limitations to the study that should be acknowledged. Firstly, a single case study is utilized which means that findings lack generalizability. In different contexts, it is not certain that the findings would remain consistent. Secondly, due to the regulatory uncertainty and limited timeframe, our study was not able to observe any outcomes of the implementation. In connection to this, the quality of sustainability assurance at the audit firm was not evaluated either. These presented limitations of the study could be addressed in future research by doing a comparative study across firms to better understand how a variety of firms implement CSRD. Furthermore, the industry of interest could be expanded to also include other actors that provide SA, such as NASAPs. Lastly, it would be interesting to see future research conduct a longitudinal study. This would mitigate the effects of the regulatory uncertainty and enable an accurate presentation of how CSRD is fully implemented, and the resulting quality of SA.

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8. Appendix

8.1 Appendix A: Interview Guide

Introduction

1. Thank the interviewee for taking the time for this interview.
-

2. Introduce ourselves, describe the study, and present the interview format.
3. Provide the confidentiality agreement, ask about preferences regarding anonymity, and inquire if it is okay to record the conversation.

Background

1. Tell us a bit about yourself and your role at the audit firm.
 - a. Age, education, years at the audit firm, experience in the industry (years), current and potential previous roles at the audit firm.
 - b. (What are your main responsibilities?)

Exploratory Questions

1. How does it work in your job when you carry out sustainability audits for auditors?
 - a. What is your current relationship with the audit department like? Describe any positive and negative aspects of your collaboration.
2. Describe what you believe will be the biggest challenge in your team's role in training audit staff? Describe a potential solution to these potential challenges.
3. How do you view your current work in terms of meaningfulness and job satisfaction?
 - a. If positive: What do you think has contributed to this feeling?
 - b. How do you think this will change with the implementation of CSRD?
4. What is your experience so far in planning the CSRD implementation? What are your thoughts and opinions on whether you have been given the right resources to start training staff?
5. What is your experience of how sustainability has historically been valued within the audit firm? Tell us about how this may differ between departments? How do you think this approach to sustainability will impact your work going forward?

Conclusion

1. Is there anything else you would like to add or clarify? Would you be willing to do a further interview at a later stage?
-

8.2 Appendix B: Interviewee Demographics

Code	Education	Gender	Experience	Office	TIP*	ST*
I1	B&E*	Male	23	Stockholm	2	Yes
I2	SSC*	Female	2,5	Stockholm	2	Yes
I3	B&E*	Female	2	Stockholm	< 1	Yes
I4	B&E*	Female	20	Stockholm	20	Yes
I5	B&E*	Female	15	Stockholm	15	No
I6	B&E*	Female	8	Gothenburg	2	Partly

I7	B&E*	Female	8	Malmö	< 1	No
I8	B&E*	Female	27	Stockholm	8	No
*B&E: Business and Economics *ST: Member of the ST *TIP: Time in Position *SSC: Sustainable and Social Change						

8.3 Appendix C: The Use of Generative AI

In the process of conducting this study, generative AI has been utilized. Partly in the processes of transcribing the interview data with Words transcription service, and partly for grammar checks and synonym suggestions through OpenAI. The utilization of AI has not had a direct effect on the quality of the study. Instead, it has contributed to efficiency, facilitating increased attention to the analytical developments for the paper. Due to risks accompanying an over reliance on AI, all suggestions have been manually reviewed by the researchers. Furthermore, the risk of data privacy was deliberately mitigated by using SSE approved methods of data handling and storage. The use of AI assisted in transcriptions and grammar, but did not infer with the judgement of the researchers. All theoretical reasonings and analytical interpretations were conducted by the researchers.