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Thesis

Exploring the challenges of implementing a sustainable strategy

- A case study

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Abstract

Sustainability has become the defining challenge of our time and companies have started to realize the many benefits that lie within this field. However, sustainability is known for its complexity and implementing sustainability is an intricate process. The purpose of this thesis is to provide an empirical study on what kind of challenges that may arise in corporate sustainability implementation. In order to explore such challenges, we conducted a single case study on a company within the financial industry. This financial institution has gained international recognition for its sustainability work, and claims to have implemented a sustainable strategy throughout the organization.

We found that an important contributing factor in the company's sustainability work was engaged top management. However, they had faced several challenges in their implementation process. These challenges were related to complexity consuming the concept of sustainability, as well as challenges within decision-making processes, company mission, resource allocation and sustainability procedures. Furthermore, our findings suggest that engaged and educated middle managers could potentially play a vital role in terms of holistic sustainability implementation. Managers in the pursuit of a more sustainable business may benefit from addressing the challenges discussed in our thesis. Our research aims to fill a gap in the existing literature, and we also suggest other unexplored areas which could benefit from future research.

Introduction

In a rapid-changing world with melting poles and global social injustice sustainability has become the defining challenge of our time. In recent years companies have become considerably more committed to improving their operations to contribute to the solution of this challenge (Paraschiv et al. 2012). But beyond that, more companies have moved from merely acknowledging their responsibilities to also realizing the many potential benefits of corporate sustainability (Bonn and Fisher 2011). Managing corporate sustainability is "a strategic profit-driven corporate response to environmental and social issues caused through the organization's primary and secondary activities" (Salzmann, Ionescu-Somers, and Steger 2005, 27). According to a large CEO study conducted by Accenture, 89% of the companies asked say that commitment to sustainability is translating into real impact in their industry (Accenture 2016). Thus, a sustainability positioning is not charity, but rather a strategic positioning in pursuit of financial payoff. It is no longer just a question of *why* but even more so a question of *how*. How do organizations become sustainable?

Becoming sustainable is more than a matter of formulating a sustainable strategy, its perhaps more importantly a question of how to implement such a strategy (Epstein and Roy 2001). Several studies show that there is an increased understanding among organizations about the benefits of sustainability for the firm (Bonn and Fisher 2011). However, companies still struggle to find the appropriate approach to implementing sustainability (Galbreath 2009). Managers need to consider multiple implications of their strategic decision-making processes and incorporate them into all levels of their companies, while maintaining a long-term perspective (Bonn and Fisher 2011). Existing literature addresses the need for studies on challenges and barriers to implementing sustainability in practice (Millar et al. 2012). In this thesis we therefor explore the process of implementing a sustainability strategy, and pose the following research question: *What are the challenges likely to arise in corporate sustainability implementation?*

Managers attempting to implement sustainability are likely to face some or all of the challenges discussed in this thesis. We argue that by addressing these

challenges, managers have a better chance at succeeding in sustainability implementation. However, before we go deeper into the implementation process, it is important to get familiar with the meaning of the term corporate sustainability. The term is known for its ambiguity (Engert, Rauter, and Baumgartner 2016), which is arguably a reason for the challenge of becoming sustainable. We have therefor dedicated this next part to thoroughly explain and clarify the meaning of the term, before we return to topic of sustainability implementation.

What is sustainability?

Existing literature on sustainability and related concepts can be perceived as ambiguous and inconclusive. Numerous definitions of a more human, ethical and transparent way of doing business has evolved through intensive debate among academics, consultants and corporate executives (Van Marrewijk 2003). Two of the most common concepts used in relation to sustainability and business are *corporate sustainability* and *corporate social responsibility* (CSR).

CSR is commonly acknowledged, yet it remains a vague concept with different meanings to different people (Sallyanne Decker 2004). According to Davis (1973, 312-313), CSR refers to the firm's considerations of, and response to, issues beyond the narrow economic, technical and legal requirements of the firm. Carroll (1999, 288) claims that during the 1990s CSR served "as the base point, building block, or point-of departure for other concepts and themes". Lantos (2001) further describes CSR as a common term representing those activities a company voluntarily does that goes beyond its fiduciary duties. Aligned with this, CSR has been criticized for being associated with philanthropy, and being more concerned with the social dimension of sustainability, ignoring the implications for and benefits of the firm (Lozano 2013).

Corporate sustainability, on the other hand, has evolved by a broader notion of sustainability, which itself was shaped through a number of political, public and academic influences over time (Linnenluecke and Griffiths 2010, Kidd 1992). In the report "Our Common Future" by the World Commission on Environment and

Development (WCED), known as the Brundtland Report, sustainable development is defined as:

> "Meeting the needs of the present generation without compromising the ability of future generations to meet their needs" (Brundtland et al. 1987, 43).

By adjusting this definition to the corporate world Dyllick and Hockerts (2002) defines corporate sustainability as the ability to meet the firm's needs as well as the needs of direct and indirect stakeholders, both present and future.

The literature coincides that a holistic perspective must be applied in order for corporate sustainability to make real progress (Baumgartner and Ebner 2010, Lozano 2013, Baumgartner 2014, Engert, Rauter, and Baumgartner 2016). Steurer et al. (2005) argued that the Brundtland Report's definition of sustainable development encompasses a "tripartite core structure", including an environmental, economic and social dimension. These three dimensions became the basis for the Triple Bottom Line concept, an expression originally invented by John Elkington in the mid 1990s (Henriques and Richardson 2013).

Figure 1: The Triple Bottom Line

In this model (see Figure 1) environmental concerns include the effective management of natural resources and the effect of industrialization with the goal of minimizing environmental impact. The economic perspective focuses on the value created by the company and focuses on long-term profits, as well as the corporation's approach toward and impact on market functions. The social aspect of sustainability refers to social equality with regards to education and a standard way of living, as well as fair business practices toward labor and the communities in which organizations conduct their business (Steurer et al. 2005). Initially environmental concerns were the main driver in the sustainability debate, and social and economical aspects where addressed as they were perceived relevant for environmental concerns. However, the three aspects have evolved into equally important dimensions of sustainability.

As we see, corporate sustainability, as apposed to CSR, entails that the companies' needs are taken into consideration, in addition to protecting, sustaining and enhancing both human and natural resources required in the future. Based on this, we argue that corporate sustainability provides a more realistic solution than CSR. We will therefor focus on corporate sustainability in this thesis, later referred to as sustainability, and adopt the definition introduced by the Brundtland Report. In other words, we define sustainability as "meeting the needs of the present generation without compromising the ability of future generations to meet their needs", where the social, environmental and economic dimension of the triple-bottom-line is embedded. Even though sustainability and its significance for business has been a popular topic for a while, it is only quite recently that attention has been directed toward how sustainability can be integrated into an organization's strategy (Bonn and Fisher 2011). Now that we have a better understanding of the term sustainability we will explore how existing literature addresses the question of how companies can become more sustainable.

Implementing sustainability

Strategy implementation is, according to Kotler and Keller (2011) "the process that turns plans into action assignments and ensures that such assignments are executed in a manner that accomplishes the plan's stated objectives". Appropriate

implementation is thus key to putting the strategy to life. Bonn and Fisher (2011, 5) argue:

> "For organizations to achieve sustainability, managers must address the different aspects of sustainability during the strategic decision-making process and incorporate them into their corporate, business and functional level strategies".

This entails sustainability being an explicit part of the strategy process on an on-going basis at all levels throughout the organization. Managers find it challenging to make sustainability operational, by incorporating its principles in daily activities (Bertels, Papania, and Papania 2010). In the following, we discuss what makes sustainability implementation challenging, and explore the literature on how to address such challenges.

Dealing with complexity

Various authors point to the subject of complexity when addressing sustainability (e.g. Salzmann, Ionescu-Somers, and Steger 2005, Epstein and Roy 2007, Bonn and Fisher 2011, Lozano 2015). The very definition of sustainability is complex in itself, but even if scholars did agree upon one universal definition, there is still ambiguity concerning specific sustainability initiatives and how to implement them. For instance, sustainability is dependent on a number of parameters that vary across industries, countries and time (Salzmann, Ionescu-Somers, and Steger 2005), and companies must balance between global environmental standards and sometimes entirely different local governmental regulations. Thus, the question "what is considered sustainable" can be an intricate one.

Understanding the concept of sustainability is key in the implementation process. Not only to get employees onboard, but also in the persuasion of shareholders. Sustainability implementation entails the need for investments, something that is often referred to as a hindering factor in the literature (e.g. Engert, Rauter, and Baumgartner 2016, Paraschiv et al. 2012). The investments might be in terms of new technology, certifications, marketing and human resources. Such investments and the priority of long-term objectives over short-term results can be difficult to justify for shareholders and other stakeholders of a company in the short-term

(Galbreath 2009). The very definition of sustainability has to do with long-term survival through long-term objectives, but at the same time the environment is constantly shifting, and it can be challenging to maintain a long-term perspective. However, such investments are necessary as they lead to decreased resource use (Holmberg and Robèrt 2000), and studies show that sustainability will create long-term financial benefits and avoided costs (Maxwell et al. 1997).

Guiding vision

Academics argue that establishing clear vision, mission and values that explain the company's sustainability efforts may contribute to reduce complexity and create guidance for both employees and shareholders. Mirvis, Googins, and Kinnicutt (2010, 316), for instance, articulates this in the following manner:

> "The idea that companies should pay attention to vision, mission and values may seem like an "old hat", or worse, a "been there, done that" exercise. Yet, we have found that many of the sustainability leaders today have repurposed themselves by attending to these foundational matters."

The authors distinguish between vision, *what*; mission, *why;* and values, *how*. A company's vision represents a desired sate or result, a mission is defined as the purpose of the company and why the company exists, while company values involve how to act to achieve the vision. Vision has received most attention in the sustainability implementation literature. Mirvis, Googins, and Kinnicutt (2010) argue "a vision provides an intellectual framework for the company strategy: it defines strategic direction and presents a conceptual map of how a company moves from its current reality to a desired future state". Bonn and Fisher (2011) reason that a company's vision should communicate that sustainability is an integrated part of the organization's business approach to stakeholders and the society. Creating a shared vision can assist in the decision-making process by proposing guidance when opposing goals occur. However, the literature addresses several challenges with regards to integrating sustainability into the vision. Mirvis, Googins, and Kinnicutt (2010, 320) state:

"The risk is that sustainability is used for image burnishing and public relations, rather than business transformation; in settling for low hanging fruit rather than fundamental change; in driving vision, mission, and values from top-own without fully engaging employees, and in failing to close the gap between preaching and practices".

Bonn and Fisher (2011) further state that the vision must be genuine and a potential challenge is that it can be perceived as a facade. In other words, operationalizing the vision can be challenging in practice. Mirvis, Googins, and Kinnicutt (2010) address this when referring to a study, performed by Accenture, of CEOs embracing the United Nation's Global Compact principles. The study found that the majority reported that sustainability was embedded in their businesses. However, the study revealed that few had completed operational changes or established sustainability controls and goals for they're lines of business, even though policies and programs for sustainability was implemented.

Management control and measurement systems

Harmon, Fairfield, and Behson (2009) reason that internal organizational deficiencies may be reduced through appropriate managerial intervention. Management control can be challenging to balance. On one hand you want to leave your employees autonomous, efficient and innovative, but on the other hand you want to secure excellent results. The latter places a demand on resources, while the former runs the risk of deviating from the intended strategy. Scholars are divided on the topic. There are those who argue that effective managerial control may secure effective implementation (Arjaliès and Mundy 2013), and there are those who believe managerial control may hinder implementation by placing demands on resources (Hülsmann and Grapp 2005). In terms of managing the implementation of a sustainable strategy, Crews (2010, 20) argues:

"The leadership challenge is to create a culture of innovation and creativity that will identify appropriate strategies for implementing sustainability, and then choose the appropriate measurement and monitoring system based on what works within the unique culture of the organization".

How to measure and control sustainable initiatives have been widely addressed in the literature (Cerin 2002, Seow, Hillary, and Jamali 2006, Crews 2010, Paraschiv et al. 2012). Crews (2010) refer to the most common reporting systems: triple bottom line accounting, the balanced scorecard, international standards and the Dow Jones Sustainability Index. However, the author argues that the increased amount of systems have created confusion and lack clarity. Critics claim that traditional sustainability reports are a matter of public relations rather than effective methodologies to control and manage corporate performance (Cerin 2002, Crews 2010).

Crews (2010) state that management control systems are tools to implement strategies. Accordingly, the control system should be designed to prompt behavior intended by the strategy. Seow, Hillary, and Jamali (2006, 816) recommend sustainability performance measurement (SPM), described as "a framework that is effectively integrated into company strategic planning and day-to-day operations". The SPM framework typically includes planning, implementing and reviewing (Fiksel, McDaniel, and Mendenhall 1999). The planning phase comprises of creating a sustainable vision affecting the company strategy as well as objectives. The implementation phase entails institutionalizing new practices and processes, followed up by the reviewing phase that tracks performance and progress. The argument for adopting the framework is that sustainability is complex and multi-faced, which requires approaching sustainability as a systematic business process.

Organizational influences

Organizational influences are contexts that constitute the foundation for all company activities. These influences can be divided into internal and external factors. According to Engert, Rauter, and Baumgartner (2016, 2839):

> "External organizational influences such as industry type, structure and position within the industry will impact the company's strategic position, and which strategies and objectives to choose".

Although external factors may affect what kind of strategies and objectives a company chooses, we do not find literature that explains if and how such external factors directly affect the success of sustainability implementation.

Different internal factors, on the other hand, are argued to have an impact on sustainability implementation. For instance, Engert, Rauter, and Baumgartner (2016) argue that company size is strongly associated with corporate sustainability strategies and implementation. They state that large companies are more likely to have a structured area, and thus increased sustainability-related procedures declared. Others disagree and find little correlation between company size and sustainability implementation (e.g. Lenssen et al. 2009). An internal factor that authors do seem to agree has impact on sustainability implementation is organizational structure (e.g. Dyllick and Hockerts 2002, Epstein and Roy 2007, Siebenhüner and Arnold 2007). Companies must be structured in a way that facilitates initiation and diffusion of sustainability-related learning, and existing structures and practices must be adapted to specific challenges of sustainability (Stead and Stead 2000).

How sustainability is implemented in a company is also likely to be influenced by *why* a sustainability strategy was chosen in the first place. For instance, a company that implement sustainability initiatives because it feels obliged to, or as image burnishing, using Mirvis, Googins, and Kinnicutt (2010) arguments, may devote less resources to pursuing this strategy than a company that is truly motivated by the environmental, social and economic aspects. This will in turn influence the level of implementation (Engert, Rauter, and Baumgartner 2016).

Management behavior

Leaders of any company have significant control over both strategy formulation and strategy implementation, and managers are typically guided by financial performance (Engert, Rauter, and Baumgartner 2016), i.e. they might take some persuasion in terms of sustainability. Implementation and organizational change are key issues regarding sustainability, and that requires a change in thinking, business structures and attitudes, all of which typically needs to start with leadership (Millar et al. 2012). For instance, leaders play a key role in the communication of a company's stated vision (Paraschiv et al. 2012).

Communication is addressed as an important aspect when implementing sustainability. A company's sustainability mission can be difficult for employees to understand. Difficult in terms of defining sustainability, grasping the relevance for the company, the relevance for one's own work tasks, and understanding the implementation process. Clear communication of the company's objectives and implementation plans is a way to reduce such complexity (Siebenhüner and Arnold 2007). Epstein and Roy (2007, 401) argues:

> "It is difficult to achieve maximum environmental performance unless top management sends a clear message that environmental performance is critical to the company."

Mirvis, Googins, and Kinnicutt (2010) agree and add that most studies concur that top management support is needed for successful value-driven business. Yet, the author emphasize, that instilling values also takes participation and two-way communication, not just a decree from above.

Organizational culture and organizational change

Scholars argue that for companies to overcome challenges of sustainability implementation, sustainability must be embedded in the organizational culture (Epstein and Roy 2007, Linnenluecke and Griffiths 2010, Bonn and Fisher 2011). Companies should aim to develop an organizational culture that is sustainability-oriented (Baumgartner 2009), as this may guide individuals' behavior and contribute in operationalizing sustainability in daily activities. Paraschiv et al. (2012, 408) define a sustainability oriented organizational culture as:

> "An organization where members have common beliefs and opinions about the importance of balancing economic efficiency, social equality and environmental responsibility that are guiding managers and employees in their behavior and their decision-making processes".

Closely related to organizational culture is a company's ability to change. Paraschiv et al. (2012, 404) argue "organizational culture and organizational

change are the basic elements through which organizations continuously renew their processes and products, adapting them to new contexts". Implementing sustainability is challenging as it requires re-inventing processes and products as the company's conventional operations fundamentally change (Siebenhüner and Arnold 2007). Moreover, Siebenhüner and Arnold (2007) find that adaptation of existing structures and procedures to specific challenges that accompanies sustainability will define the success of implementing sustainability.

Siebenhüner and Arnold (2007, 347) further argues that the procedures should be developed by the employees, and thus that they serve as "tools for the diffusion of knowledge within a company". Paraschiv et al. (2012) argue that creating a sustainability oriented organizational culture by altering sustainability into organizational value will contribute in convincing the employees to see the importance of organizational change, and maybe more importantly hinder potential reluctance to change. Implementing sustainability can be viewed as a paradigm shift for many organizations, and such initiative must be properly introduced to all involved parties. Aligned with this, Crews (2010) emphasizes the importance of addressing new initiatives to overcome the risk of adversely affect employee moral and productivity resulting in resistance to change, or thoughts like "here we go again". The author stresses that understanding the initiative in terms of the desired cultural change is likely to mitigate resistance to change. Following this direction, Paraschiv et al. (2012, 409) state:

> "Organizational change must be top-down, to create the necessary structure and to provide sustainable vision, and bottom-up, to encourage participation from all employees".

Furthermore, the authors argue that the change must occur at the level of each employee, through a change of perception and accordingly adjusting individual values. Seow, Hillary, and Jamali (2006, 813) reason, "Openness to change is a basic ingredient in the transition to sustainability". However, implied in this notion is a conception of change as a learning and evolution process, which brings us over to another important aspect of implementing a sustainability strategy, namely organizational learning.

Organizational learning

Siebenhüner and Arnold (2007, 341) explicitly state that organizational learning is a key element of any effort to effectively implement sustainable development in corporations. They define sustainability-oriented learning as:

> "A process where organizations display behavioral changes that are attributable to change in the knowledge and value base as a result of reflexive processes, and where the concept of sustainability serves as a fundamental framework".

Senge (2006) pinpoints an important aspect of holistic organizational learning when stating that it is insufficient to have one person learning for the whole organization. The author argues that grand strategies cannot be generated from the top and further forced on employees to follow. Crews (2010, 18) continues on this by stating that:

> "The organizations that excel in the future will be those that understand how to engage every member of the organization, gain their buy-in to new initiatives, and build capacity for learning at all levels of the organization".

In order to get the company's employees on board with the occurring change, it is essential to create a mutual understanding of the concept through training (Siebenhüner and Arnold 2007). The goal is to turn implicit knowledge of the staff explicit in efforts to create mutual understandings (Esterhuyse 2008). It is important that employees are well familiar with the term corporate sustainability and that they have updated knowledge about the concept.

"How well knowledge is managed is largely associated with how well cultural values are translated into value to the organization" (Zheng, Yang, and McLean 2010, 769). Aligned with this, Bonn and Fisher (2011, 12) argue "the development of such cultures requires organizations to formally include sustainability criteria into their recruitment and training practices, as well as their job descriptions, performance appraisal and reward systems". This is supported by

Paraschiv et al. (2012) who highlight the important presence of the triple bottom line in these processes.

Overall, by examining past literature, we identify the need for a more practical approach to sustainability implementation. According to Engert, Rauter, and Baumgartner (2016, 2842), "implementation and organizational change are the key issues the sustainability agenda is demanding action on". Even though the number of publications on sustainability strategy implementation has increased in the last decade, there is an absence of empirical studies on how this is carried out in practice. In addition, Millar et al. (2012) call for more studies on barriers and challenges, as well as possible solutions, in the practices of sustainability implementation. We therefor pose the following research question: *What are the challenges likely to arise in corporate sustainability implementation?*

Method

We chose a qualitative method the purpose of this thesis. More precisely, we conducted a single case study to examine our research question. Yin (1994, 13) defines a case study as:

> "An empirical inquiry that investigates a contemporary phenomenon
> within its real-life context when the boundaries between phenomenon
> and context are not clearly evident."

Qualitative research in form of a case study provides in-depth analysis that can provide details that quantitative research may not. Case study research is concerned with the complexity and particular nature of the observed phenomenon (Bryman and Bell 2011, 59), and a single case study has the potential to provide significant contribution in theory and knowledge building (Yin 1994). A case study is therefor a suitable approach to investigate our research question.

When studying our phenomenon we used inductive reasoning, i.e. the theory emerged from the data. We used an explorative design that is suitable when studying a relatively new phenomenon that is hard to measure. The purpose of our paper is to contribute to the literature on sustainability implementation by

providing an empirical study on what kind of challenges that are likely to arise when implementing a sustainable strategy.

Study design

Our case study is based on a financial institution chosen to stay anonymous, and is hereby referred to as SustainCorp. The company has explicitly stated that sustainability is of high priority and that the triple bottom line is considered before decisions are made. SustainCorp showed dedication in terms of sustainability, and has received international recognition for their sustainability work. The company further claimed that sustainability is implemented throughout the organization. This case accordingly provided us with the opportunity to explore how sustainability implementation had been done in practice and discover what kind of challenges they faced during their implementation process. In addition, SustainCorp was data rich, we had gained access and we saw revelatory potential. Combined, these arguments made for a suitable case study to answer our research question.

SustainCorp highlights four specific areas that are of particular importance in their sustainability work: sustainable investments, sustainability guidelines, climate strategy, and commitment and cooperation. SustainCorp markets itself as a pension provider. Accordingly, investments are defined as a core activity. Their investment strategy take financial aspects as well as social and environmental parameters into consideration before deciding whether to invest in a company or not, i.e. following the triple bottom line. The second area, the sustainability guidelines, manifests how SustainCorp integrates sustainability into their business. These guidelines include principles for how the private sector can be sustainable, and how to carry out internal sustainability initiatives, as well as reporting, maintenance and governance mechanisms. The third focus area is SustainCorp's climate strategy that is concerned with minimizing risk while exploiting the possibilities that lie within sustainability. The final area for SustainCorp's sustainability work is commitment and cooperation, where the goal is to influence the world and the financial sector in particular in a more sustainable direction. This includes signing international pledges and contracts committing to sustainability.

SustainCorp's organizational structure is illustrated in Figure 2 below. The company is primarily a pension provider, but offers banking and insurance services as well. The CFO and COO silos represent support functions while the remaining silos represent operating activities. Sustainable investments are under "asset management" and has its own unit, while insurance and bank is under the "product" unit. The remaining silos are divided into customer focus and commercial aspects. Each unit have a their own internal organizational structure, and sustainability is run across all units.
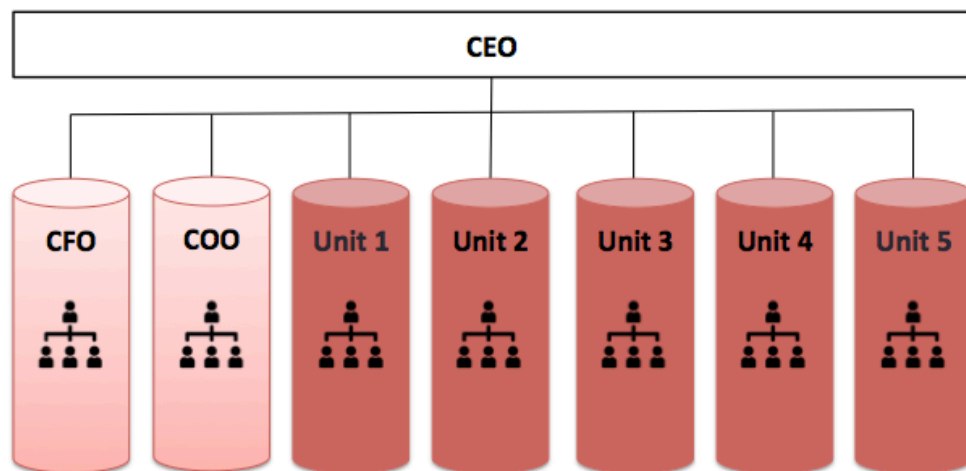

Figure 2: SustainCorp's organizational structure

Data collection

The data collection included both primary and secondary data sources, to allow for a close exploration of the company in question (Stensaker and Falkenberg 2007). Gathering both primary and secondary data let us compare and look for contrasts in the data sources. The main method of primary data collection was semi-structured interviews, a flexible method that captured how our respondents interpreted sustainability and how they related to challenges of sustainability implementation. Furthermore, this method has been helpful in capturing the uniqueness of our case study, and provided insight on how to approach sustainability in practice.

The informants included individuals form different levels and units in the organization. This secured variance in our findings, and gave room to uncover

similarities and differences in the respondents' perceptions of how and whether sustainability was implemented throughout the organization. We further developed an interview guide that consisted of open-ended questions that allowed for participants to express their individual view on the company's sustainability work. Interviews were tape-recorded and then transcribed shortly after the interviews were conducted. The tapes were deleted immediately after. We sent follow-up e-mails when necessary, which was an effective way to get answers, given that contact was already established. The written material from the interviews was carefully processed and coded in a matrix. Additional secondary data such as annual reports, the company webpage and internal employee surveys were used to compliment our primary data.

Data analysis

We analyzed our data inspired by the Gioia method, a well established template that inductively aims to gain insights from the meanings given to an organizational phenomenon (Langley and Abdallah 2011). The basis of the methodological approach is the data structure that visually presents the analysis. The data structure is presented as the key output of our research. Gioia, Corley, and Hamilton (2013, 20) argue:

> "The data structure not only allows us to configure our data into a sensible visual aid, it also proved a graphic representation of how we progressed from raw data to terms and themes in conducting the analysis".

After presenting the data structure visually, we elaborate on the first-order analysis that paints a picture of how our respondents perceive challenges of implementing sustainability in SustainCorp. The intention is to provide an upfront distillation of the paper's main contribution (Langley and Abdallah 2011). The first-order analysis is based on informant terms, using quotes to verify the story. When working with the material we separated the quotes into categories, a structural way to systemize all the quotes. This process led to many categories. However, as the research evolved and similarities and differences among the first-order categories were revealed, a more manageable number of categories were presented as the first-order analysis.

The second-order analysis represents the theoretical aspect of the findings. In the second-order analysis we looked for emerging themes in the first-order categories that could explain the observed phenomenon. Through this thorough presentation of our findings, our goal was to describe an informative story that introduced new concepts and theoretical discovery. During this process, specific attention was given to concepts that lacked adequate theoretical attention in existing literature, aligned with the potential to fill a gap. When presenting our findings in the next section we have used second-order themes as headings to structure the narrative story. We argue that this presentation best describes our findings.

After finalizing the analysis we developed a grounded theory model. Our intent is to provide an inductive model that is grounded in the data (Gioia, Corley, and Hamilton 2013). Using Gioia, Corley, and Hamilton (2013, 22) own words:

> "The resulting grounded theory model, should be one that shows the dynamic relationships among the emergent concepts that describe or explain the phenomenon of interest".

Accordingly, an important aspect of the grounded theory model is the interrelationships between the concepts and themes. The model represents our theoretical contribution and will be elaborated on in the Grounded Model section, and compared to existing literature in the Discussion section.

Findings

The following section presents the findings substantiating the second-order themes in the data structure, illustrated in Figure 3 below. Here we get familiar with the participants' view on sustainability in SustainCorp and uncover challenges that arose in connection to the company's sustainability work. We also learn how the company worked to address and attempted to overcome some of these challenges.
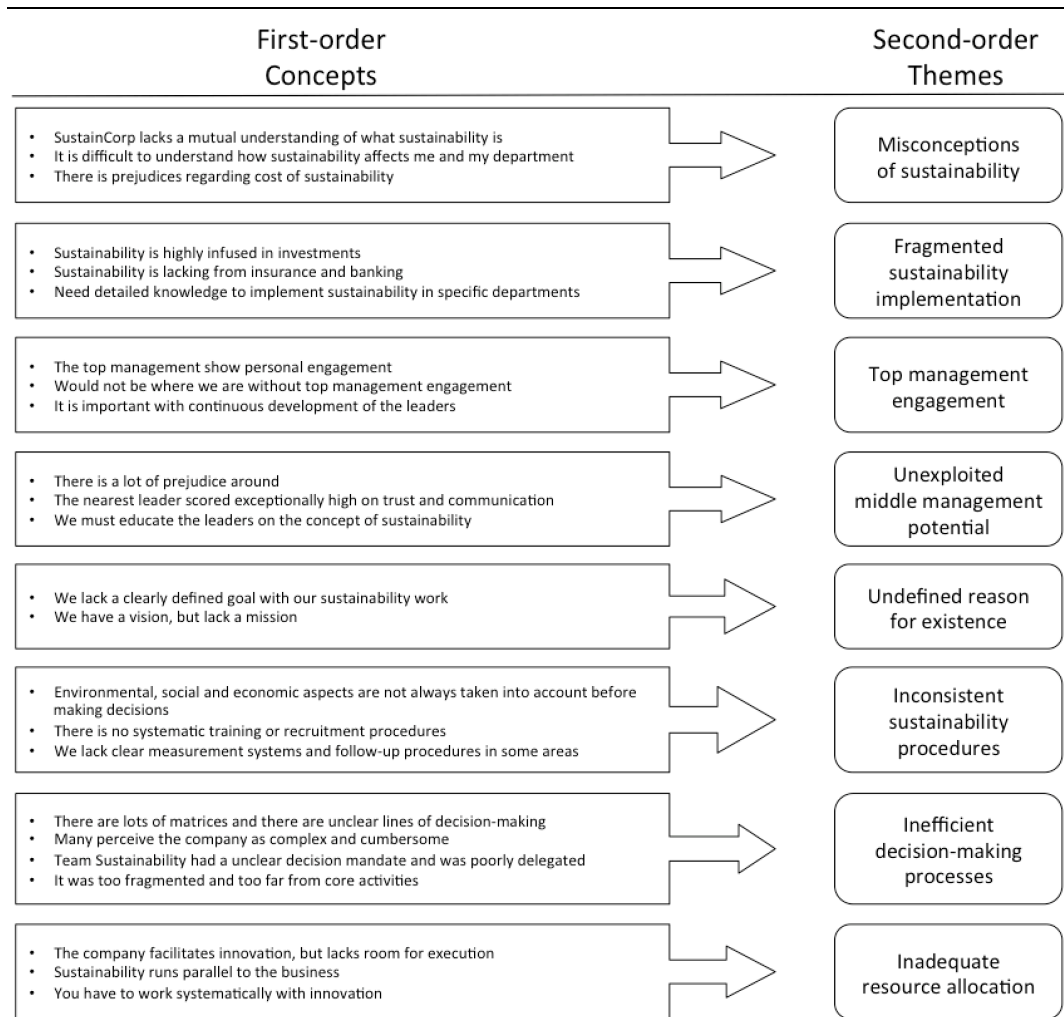
Figure 3: Data structure

Misconceptions of sustainability

When starting our interviews at SustainCorp it became evident that sustainability was a terminology that came in different wrappings. We received several definitions, for instance "sustainability is the intersection between the corporation and society", "something that lasts – exists over time", and "solving social challenges in a lucrative way". Another respondent stated, "Sustainability is a somewhat populist term. Whitewashing and crime for instance – what is the difference?" and emphasized that the terminology is difficult to define. The different definitions show that our respondents where somewhat familiar with the terminology, but that the individual understandings of it varied. The following statement supported this discovery:

> "Through workshops that we have held it has become evident that
> our company lacks a mutual understanding of what sustainability is".

There are many potential explanations for why we found ambiguity regarding sustainability in SustainCorp. One argues:

> "Sustainability is abstract and emotionally cold, making it
> challenging to fill with precise and relevant content".

Another respondent argued that SustainCorp works within a theoretically heavy segment, and the fact that sustainability is an intangible concept makes it even more challenging to comprehend for the people working in SustainCorp. It is challenging to fill sustainability with emotions and make SustainCorp's employees relate to it, a challenge several respondents argue is essential to overcome in order to implement sustainability throughout the company.

Additionally, we found different types of misconceptions of sustainability. While some were related to the understanding of the terminology, others were related to prejudice regarding the cost. For instance, several of our interviewees claimed that many of SustainCorp's employees think, "Sustainability costs more than it gives". The same respondent emphasized that:

> "This is understandable as it is often the case, for instance buying
> eco friendly products is more expensive than non-eco friendly
> products. However, in terms of financial products this is not
> necessary the case".

While we spoke to some who argued that certain sustainable products cost more that non-sustainable products, no one we interviewed seemed to think that sustainability was non-profitable all together.

One of our respondents argued that for in-depth sustainability implementation to occur, it is important that the employees understand why sustainability is represented in the company strategy, and why it receives the immense focus that it does. In accordance with this, another respondent stated:

> "The employees need to understand what sustainability means for them, in their business units and how it affects everyday choices. Then, when an understanding is established and a sustainability mindset is created, one can talk about implementing it into day-to-day decisions".

Moreover, a respondent argued that most of their employees react in a positive manner when they understand what sustainability actually is.

Fragmented sustainability implementation

On their website, SustainCorp explicitly stated that sustainability was implemented throughout the organization. For instance, SustainCorp was one of the founding signatories to *The Principles for Sustainable Insurance*, and claimed that such initiatives functioned as "guiding stars" for their activities. However, it was harder to find any references to sustainability within the specific insurance products. Also, whereas banking was concerned sustainability was not mentioned on their webpage at all. In accordance with this, all of our interviewees argued that there was an imbalance between units with regards to the level of implementation.

> "Today, the company has significant competence in terms of sustainable investments. However, the bank, insurance units and more operating functions, lack a clear sustainability approach".

One claimed that it had been difficult to get the bank onboard because they have argued that they are too small to make a difference. The same person suggested that the bank must commit to understanding sustainability and be more engaged, and that they must receive support from product development with suggested products and solutions that support the implementation.

These findings indicate that there was a gap between the top management's intentions, and what was actually done in practice. We see that the company had come a long way in implementing sustainability, but that they also had a long way to go before they could rightfully claim to have sustainability implemented

throughout the organization. Several argued that the next step would be to get everyone in the company involved and held responsible for implementing sustainability.

> "We need to work systematically toward implementing sustainability in all parts of the company and allocate the responsibility. We will get more done if more people are thinking about this instead of having a few people coming up with the good solutions regarding sustainability in the company. Detailed knowledge is needed to develop such solutions, and we are dependent on the employees to figure it out what is best for each unit".

Top management engagement

In SustainCorp top management engagement was emphasized as an important contributing factor to the company's level of sustainability implementation thus far. More specifically, people claimed it was essential to have the top management especially engaged and defined this as one of the company's strengths in their sustainability work. "To drive sustainability the top management is important, especially the CEO. They must be personally engaged".

One argued that sustainability would not be as permeated as it is today if it had not been for the former CEO who "worked toward sustainability in a philanthropic way in that he wanted his children to have a world to grow up in, in addition to seeing the business opportunities in it as well". Employees and leaders we spoke to seemed proud of the top management's commitment to sustainability:

> "We are lucky to have a CEO that burns for sustainability, and that expects the people around him do the same, that they make changes, implement and integrate this in a good way".

The top management had not only recognized their environmental and social responsibility in the context they were operating in, they also viewed sustainability as a business opportunity. They had made sustainability a central part of their strategy and taken the company far in the pursuit of becoming a more sustainable business. Yet, the management also acknowledged the need for

continuous development. They had therefor incorporated specific sustainability focus into a previously developed program focusing on leadership development, called SustainCorp Academy. In this program they were for instance given "tasks to create sustainable solutions and ideas in specific products areas".

Unexploited middle management potential

In addition to top management engagement, the importance of middle management was strongly emphasized by our participants as well. The middle managers of a company are the ones that make the daily decisions, and they are the ones who are nearest to the ones carrying out strategy initiatives. Several of our interviewees therefor argued that it is important to work on the attitudes and beliefs of middle managers to make sure that they convey sustainability in an appropriate way.

> "There is a lot of prejudice around, so we need to work with the leaders so they understand the concept of sustainability well".

Another said:
> "Often you take it for granted that if the top management agrees then the middle management does too. But they don't".

Thus, in efforts to educate the leaders on sustainability the company arranged different seminars and workshops, and the middle managers were also enrolled in the SustainCorp Academy. The company also arranged leadership development seminars abroad to look at what other actors within finance were doing regarding sustainability.

In addition to the importance of the management's knowledge about sustainability, it was also mentioned that is just as vital to create personal commitment:

> "You need to have a leader that believes in it! When it comes to sustainability work you have to actually believe. I mean, there is plenty of documentation that confirms that sustainability is profitable, but you have to actually believe in it too!"

The next step for SustainCorp, several argue, would be to take advantage of the loyalty employees have to their nearest leader and use them actively in translating the company's sustainable strategy and objectives.

> "We recently had an employee satisfaction survey where the nearest leader scored exceptionally high, compared to benchmark, on trust and ability to communicate. I think that we must use that in strategy implementation. The nearest leader should be the point of dialog, the one that can explain the strategy and make it relevant."

This participant argued that this could potentially be an important source of clarification of misconceptions about sustainability for employees. In addition, middle managers could also serve as a way to make the company's overarching strategy more understandable and relevant for people in their daily activities. Thus involving the middle management in a larger sense could potentially have great value when implementing sustainability.

Undefined reason for existence

Our interviewees had several opinions as to why sustainability was not fully embedded throughout the organization, and many point to the lack of a defined reason for existence as part of the explanation. One respondent argued: "Until now, sustainability has been an investment strategy, rather than a corporate strategy", while another respondent stated, "we lack clearly defined goals for our sustainability work". Both statements indicate that sustainability was perceived as something that did not concerned all, and further suggest that it was because sustainability was not evident in SustainCorp's overarching purpose and objectives. One explicitly stated, "We have a vision but lack mission, in other words, a purpose".

At the time of our interviews the top management was aware of the confusion regarding the company's purpose and the role of sustainability. Deciding what role sustainability was going to have in SustainCorp came to question when a key person, an enthusiastic sustainability visionary, was headed for leave; "we met a crossroad with regards to sustainability". This event emphasized that the

implementation of sustainability in SustainCorp was in a large degree dependent on certain people. One respondent argued "the engagement disappears when certain people disappears". Nonetheless, the question that needed answer was if SustainCorp were to be satisfied with how sustainability currently was implemented, or whether the organization should go "all in" with regards to a sustainability strategy. The big question resulted unanimously for going all-in with sustainability. Additionally, a respondent stated:

> "Deciding that sustainability should be incorporated throughout the company, and not only certain business areas, was the start of defining a purpose".

The decision of defining a company mission, a purpose, was widely addressed during our interviews. One respondent indicated that the relation between sustainability and SustainCorp had been ambiguous and not clearly communicated, and argued:

> "The reasoning behind defining a purpose is that you incorporate it into why the company exists and why it is a preferable employer".

Another respondent underpinned the importance of being genuine when presenting why SustainCorp exist, and how this is related to sustainability, so that the employees can relate to it. The respondent further emphasized:

> "The final purpose should be a natural part of SustainCorp and not come as a surprise for the employees".

Aligned with this, another respondent stated, "for the purpose to provide value one needs to establish what it means to us, and everybody needs to relate to it". The same respondent also underpinned the importance of taking ownership to sustainability.

Another aspect that came to attention when discussing the potential effects of a company purpose was to bridge sustainability and operations. One respondent argued: "the purpose will guide how one should consider sustainability in every-

day activities. We need to break down tasks, but also direction". Aligned with this another respondent argued:

> "Today we have built up an understanding and competencies regarding sustainable investments. However, the bank, insurance and other parts of the company lack a sustainability approach. The implication of defining a purpose is contributing to defining this missing sustainability approach".

This employee believed that defining a purpose where sustainability would be strongly represented could be an important step in terms of a holistic sustainability implementation. Another stated "the next step for us after defining a purpose is to be clear on our sustainability approach". Another respondent further emphasized this when stating:

> "By defining a purpose the company makes some signal decisions, moving from having sustainability as a side aspect, and making it a part of all decision-making processes. It is no longer voluntary".

Whether a defined purpose will have the effects our respondents suggested, we cannot know. However, the fact that so many point to a purpose as a possible contribution to sustainability implementation is interesting.

Inconsistent sustainability procedures

During the time of our interviews SustainCorp claimed through their website that individuals in the company take environmental, social and economic aspects into consideration before making decisions. However, our respondents revealed that this was not always the case. When asked about this, one answered:

> "No, we do not. Well, regarding investments we do, and somewhat in insurance, but not at all in the bank".

Another respondent disagrees:
> "Yes, I believe we do take environmental, social an economic aspects into account. It is in the culture."

We found it interesting that two people could have such different answers to the same question.

Through SustainCorp's website, it is also clearly communicated that sustainability is a central part of the company and their corporate strategy. They further list guidelines for carrying out internal sustainable initiatives, as mentioned in the Method section. It was therefor surprising to discover that those guidelines did not seem to work optimally, either because they where not known throughout the company, or because they did not cover all areas of the company's operations. For instance, SustainCorp had no specific training procedures when it came to sustainability. One respondent argued:

> "I do not think one should be able to work anywhere in SustainCorp
> without completing some form of sustainability training. Whether it
> is an introductory course or classroom training sustainability should
> be a part of it."

Throughout our interviews the need for training was prompt as a vital factor in terms of implementing sustainability throughout the organization. We found that some hung on to old truths and outdated information about the terminology. "Sustainability is a wide term and needs concretization", one argued. Furthermore, another argued that only through training would SustainCorp manage to engage their employees in the pursuit of sustainability.

> "The employees need training in terms of how to think
> sustainability, and they must be provided with relevant examples".

We also found that SustainCorp had not implemented specific recruitment procedures that contained sustainability. Candidates for job positions were not asked about sustainability, at least not systematically. Nevertheless, the majority of our respondents stated that sustainability had been an important aspect for applying for their job at SustainCorp:

"I recently asked sixty new employees why they choose SustainCorp and many actually pointed to sustainability".

This indicated that, despite the lack of sustainability-oriented recruitment procedures, sustainability was important to many. However, one argued:

"We must make sure that we employ people with the same core values as SustainCorp. Sustainability is an important part of SustainCorp's DNA and should accordingly be an important part of the recruitment process".

Another interesting element we found during the interviews was that we could never seem to get any clear answers when it came to procedures regarding follow-ups, monitoring and measuring success. In some areas there were certain key performance indicators, but monitoring of sustainability issues were often quite vague. A few of our interviewees seemed a bit puzzled when asked about this, and one emphasized:

"We actually do not have any way of measuring the success of certain sustainability initiatives because it is difficult to isolate specifically how sustainability contributes".

This person explained an initiative where the goal was to make the sellers use more sustainability arguments when approaching clients, and convince them that they get increased value from choosing sustainable options. Measuring the success of this was challenging because increased sales, for instance, could be due to other factors than sustainability. Another respondent argued, "How you measure (in general) is affected by where in the company you work".

The findings in this specific section suggest that SustainCorp lacked guidelines to their sustainability work in terms of systematic procedures in many areas. For instance with regards to training, recruitment and following up on initiatives.

Inefficient decision-making processes

SustainCorp is a large company of over 2000 employees with an intricate hierarchical structure, and the lines of decision-making were not always clear. One explicitly said:

> "I perceive it (the company) as very complex and very cumbersome. There are lots of matrices and it is difficult to understand where decisions are being made".

In fact, when asked to describe the company with three words most of the participants used words such as complex, cumbersome and slow. We found that sustainability initiatives were stalled and that many were frustrated by the complexity of decision-making processes.

> "It is incredibly important that it's clear who has the decision-making mandate, so that there is not so many rounds of discussion, and that someone follows up on initiatives and drives it through. Only then will there be effective implementation".

The challenge of decision-making efficiency in SustainCorp had been addressed on several occasions throughout the years. For instance, a change was made in 2011 when the responsibility for sustainability was taken out of the corporate management and spread across all the different silos, decentralizing the responsibility of sustainability. The one with the in-house responsibility for sustainability was placed under the COO silo, while mutual responsibility was divided across the remaining units. This decision-making structure was still in effect during our research process. Employees had different opinions on whether this initiative of decentralization was a success or not. One interviewee puts it like this:

> "You have five to seven different silos each with their own line of reporting with a sustainability project that runs across. That is demanding. Because what happens when wishes from one silo collides with wishes from another silo? How do you get on from there?"

The participant had no answers to these questions. When questioning others about this issue it seems that there were no clear guidelines for what to do in a situation such as this. One silo did not have priority over another. If an issue could not be resolved between the silos, the issue had to be taken to the corporate management. Concerning the decentralization of decision-making authority in sustainability matters, one participant said the following:

> "I think it was a change for the worse. A lot of processes get stalled, it is difficult to make decisions, and some decisions are maybe taken at a level too low so that everyone's interests are not taken into account. If it (the decision-making mandate) had been in corporate management the decisions' effect on all departments would be taken into account. I think the decision mandate should be in the corporate management".

Others disagree and argue that for sustainability to be implemented throughout the organization, responsibility must be divided across functions, "of course within boundaries, budget and all that".

Another significant initiative that is connected to the problem of decision-making efficiency was the establishment of a group called Team Sustainability. The team establishment was "an attempt to gather one from each silo in order to coordinate sustainability across business functions". At first glance this seemed like a clever decision. This could be a way for the all the departments to work together, to be heard and to collaborate on sustainability initiatives across functions. However, conversations with the interviewees quickly revealed that the team had not been functioning optimally. One said:

> "Team Sustainability was created to make decisions on sustainability questions that concerned different functions. But it was poorly delegated, and it had an unclear decision mandate. So it became a place where people had fun, argued a bit about how thing should be done, but where no one really made any decisions."

Many shared this opinion; "It was unclear who made the decisions", one said.

> "What was the purpose? I would clarify what Team Sustainability really is, and clarify their function. I think it could have value if they manage to gather the right people", another argued.

> "Team Sustainability does not work optimally. There are so many rounds of discussions, which only elongate the implementation. It is too fragmented and too far from the core activities", a third agreed.

By the time of our last interview the team had been dissolved. It seemed clear to most that the team had not worked optimally, and other arenas of discussion had been established instead.

We see that SustainCorp struggled to find appropriate organizational structures to support successful sustainability implementation. Yet, they were continuously making efforts to improve and seemed determined to develop systems and configurations to facilitate implementation.

Inadequate resource allocation

It is clear that sustainability is high on the agenda in SustainCorp. Yet, they also face the challenge of resource allocation in execution practices. "The company really facilitates innovation, but there is often no room for execution" one argued. Another supported this by claiming:

> "It's often not the ideas that are lacking, but the implementation and execution. They have to decide, and actually prioritize".

It seemed that the resource allocation did not mirror the management's goals of sustainability. "It usually comes on top of existing work", one claimed. With certain expectations and demands for results in daily activities, sustainability had become second priority to many.

> "I think SustainCorp's big challenge is that sustainability is always
> run parallel to the rest of the business, with the exception of asset
> management where they have it as part of their core activity".

While most of our interviewees believed that the execution part was the main issue here, another argued that room for innovation was lacking as well:

> "People are so busy. They have so much to do, so they cannot bear
> to think about new things they need to spend time and energy on.
> That's the risk, that you are simply pressured on time. Innovation is
> not something spontaneous, that you come up with an idea and then
> pursue it. You have to work systematically with innovation."

This was interesting, considering that this person came from banking, a department others in the company claimed had a low level of sustainability implementation. With limited room for innovation in some units, and execution in others, implementation suffered and company goals were not met.

Overall, we have uncovered several challenges regarding sustainability implementation in SustainCorp. It is clear that sustainability was not fully embedded throughout the company. The level of implementation varied between different units, and prejudice and misconceptions regarding sustainability existed in many parts of the organization. It was also evident that there was an imbalance between top management engagement and what was passed on through the middle management. We also uncovered structural challenges, for instance regarding decision-making processes and sustainability procedures, as well as insufficient resource allocation.

Grounded theory model

Even though there were issues to address in SustainCorp, we must emphasize that they had come a long way in becoming sustainable. An important contributing factor to that success is arguably the top management's engagement. However, it was obvious that their engagement was not completely manifested in the rest of the company. While sustainability was very much implemented in some units, it

was practically absent in others. In this section we have systemized our findings into a model explaining how the different challenges of SustainCorp's sustainability work had led to fragmented sustainability implementation.

This model (see Figure 4) represents the reality of SustainCorp's sustainability work, as opposed to their desired state, illustrated by the dotted line. Their goal was to develop a sustainable business with a sustainability strategy that was embedded throughout the company. However, we found that the intensions and the engagement of the top management have failed to manifest throughout the organization. We argue that this was partly due to unexploited middle management potential, as well as elements that further hindered the middle management in their translation of the strategy. We emphasize that the elements in this model must be looked at as interacting, with reciprocal relationships among them. The elements and the connections between them are further elaborated below.
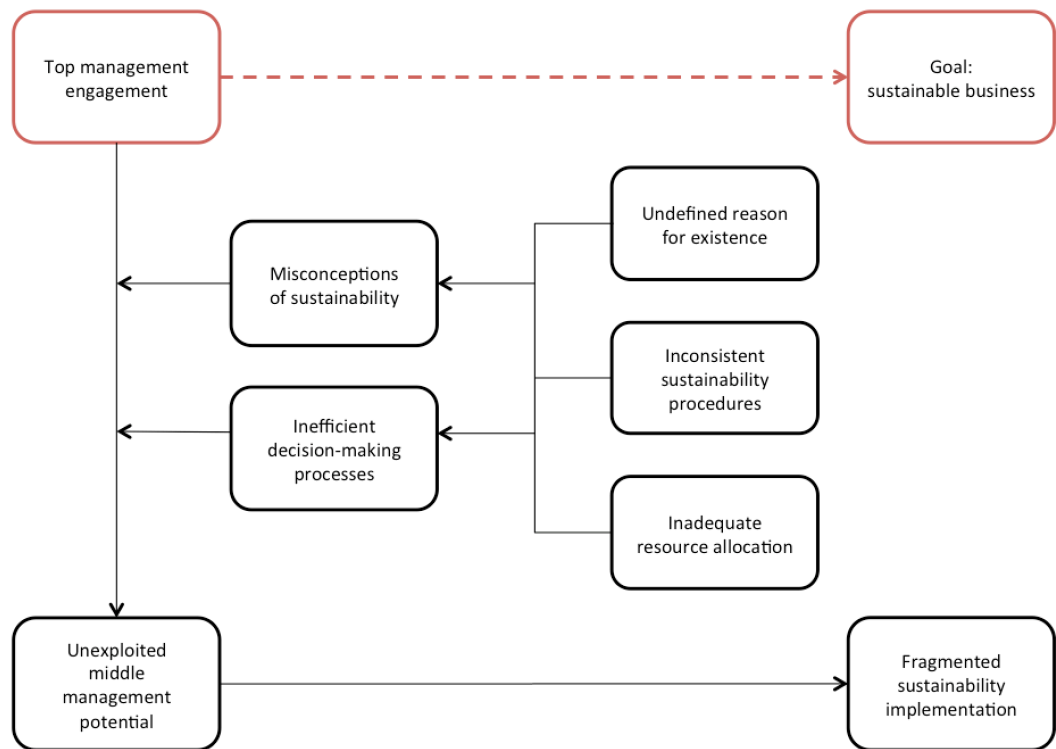

Figure 4: Challenges leading to fragmented sustainability implementation

Hindering factors

We believe that the engagement of the top management positively influenced how the middle management translated the company's sustainable strategy to the rest of the company. However, we found that there were still prejudice and misconceptions concerning the concept of sustainability, and that the middle management did not completely mirror the top management. We believe this was partly due to certain organizational elements that hindered the middle managers from carrying out the top management's intentions. This is illustrated in our model by the five boxes in the middle.

One of the elements that intervened with the transfer between the top and the middle management was misconceptions of sustainability. Our findings show that there was a high degree of ambiguity and misconceptions concerning sustainability, both in the middle management and among employees in SustainCorp. When people either did not understand the concept or the relevance for one's own work, sustainability faded from daily operations and implementation suffered.

Based on our research we believe that misconceptions of sustainability were connected to and influenced by several other organizational elements. First, we argue that the fact that SustainCorp lacked a mission infused with sustainability made the concept alien to many, as they did not understand why and how sustainability received this immense focus, and thus not understand the relevance for one's own work. This made sustainability work second priority for many – or not a priority at all – which further led to fragmented implementation. We also believe that the lack of a defined mission that is built upon sustainability prohibited sustainability from becoming truly embedded in the organizational culture. When sustainability is not reflected in norms, values and beliefs it is difficult to encourage behavior that considerers environmental, social and economic aspects in daily operations.

Second, SustainCorp lacked a systematic approach in terms of their sustainability work. There were inconsistencies in sustainability procedures regarding recruitment, training and sustainability activities in general. The lack of such procedures, i.e. lack of guidance, hindered the alignment of sustainability and

everyday work tasks, contributed to the misconceptions of sustainability, and thus made the sustainability work fragmented. Furthermore, we believe that these two elements, mission and sustainability procedures, influenced each other directly. When sustainability is not an explicit part of a company's reason for being it may not be surprising that they also lack a more systematic approach to guide their sustainability work.

A third factor that was affecting people's perception of sustainability was resource allocation. With insufficient time spent on sustainability work and on training, employees failed to understand the concept and its relevance for one's own work, which contributed to the misconceptions of sustainability. Inadequate resources allocation may have been an indirect result of lacking a defined reason for existence. Without a purpose that is strongly infused with sustainability to guide daily operations, it may be challenging to prioritize resources to sustainable initiatives and implementation.

Inadequate resource allocation also affected the decision-making processes in the organization. We saw that there was limited room for execution in some parts of the organization, making it difficult for many to make the decision to prioritize sustainability matters over already existing work. This illustrates a direct conflict between the top management's intensions and what they expected from their employees. Without sufficient resources to carry out the initiatives it was difficult for the middle management to carry out company sustainability objectives.

The decision-making processes were also influenced by a lack of guidance, in terms of a mission; and a lack of guidelines, in terms of sustainability procedures. We found that SustainCorp was struggling to find an appropriate decision-making structure. For instance, Team Sustainability was an ineffective configuration where decisions were not being made. This was arguably due to a lack of a defined purpose for the team, which made it difficult for both the team members and others to understand what their mandate really was. Team Sustainability also lacked clear guidelines for their sustainability work, which complicated matters even further. SustainCorp's structure, with sustainability running across different business units, complicated the implementation of sustainability in itself, and the

effect was amplified by the lack of a clear mission and inconsistent sustainability procedures.

In addition, the process of decision-making was even further complicated by misconceptions of sustainability. It is clearly difficult to make effective decisions regarding a concept if neither you nor the people affected by your decisions fully understand it. Misunderstandings of different environmental, social or economic perspective regarding a decision led to prolonged decision-making or even wrongful decision-making. This in turn hindered successful strategy implementation.

Overall, we see that the combination of unexploited middle management potential and different hindering elements contributed to the result of fragmented sustainability implementation in SustainCorp. If the top management wishes to see their goal of a truly sustainable business reached, they must address the challenges discussed in this model. This spectrum of challenges obviously does not cover every possible issue that might arise in such a process, thus we could not develop a model that embraces the entire picture of sustainability implementation. However, we argue that by addressing the issues surfaced in this case, companies are more likely to facilitate successful sustainability implementation. It is important to acknowledge that the elements discussed here are highly influenced by one another, much like the concept of sustainability itself. As sustainability must be approached in a holistic manner, implementing sustainability must be as well.

Discussion

In this thesis we posed the following research question: *What are the challenges likely to arise in corporate sustainability implementation?* To investigate this question, we examined a business that claimed to have sustainability implemented throughout the organization. While they had come a long way in terms of implementing sustainability, we also uncovered several challenges associated with their sustainability work. Overall, we found that a high degree of complexity consumed their work, both regarding the concept itself and complexity in organizational structures and operations. We further argue that the company holds

unexploited middle management potential. We believe that the middle managers had a direct influence on the way sustainability was implemented, but that the effect was further amplified by the complexity consuming the other organizational elements illustrated in the model.

We further argue that the challenges presented here are likely to arise in any organization that attempts to implement a sustainability strategy. Managers that find themselves in a similar context may therefor look for similar explanations as to why their businesses fail to achieve holistic sustainability implementation. In this section we compare our findings with existing relevant literature, before we discuss the managerial implications of our findings.

Former literature acknowledges that complexity and sustainability is closely related (e.g. Salzmann, Ionescu-Somers, and Steger 2005, Epstein and Roy 2007, Bonn and Fisher 2011, Lozano 2015). Engert, Rauter, and Baumgartner (2016, 2842) specifically claim, "Reducing complexity is likely to be one of the core issues in sustainability implementation". This was also evident in our case where we found a high degree of ambiguity and misconceptions connected to the concept of sustainability. We found that without a mutual understanding of sustainability employees struggled to relate to the company's sustainable strategy, which hindered realization of the top management's intensions. Reducing complexity by creating mutual understandings and increased knowledge through training is commonly addressed in the literature (Bonn and Fisher 2011). In addition, organizational learning is viewed as a key element to effectively implement sustainability in organizations (Siebenhüner and Arnold 2007). Former literature emphasize that it is not sufficient to teach the top management, who then give orders – learning must be provided at all levels of the organization (Senge 2006, Crews 2010).

Complexity was also evident in the decision-making processes. Unclear mandates led to unnecessary rounds of discussion and misunderstandings during different stages of the implementation processes. While we did not find any direct reference in the literature regarding the influence of decision-making structures on sustainability implementation, many authors argue that a lack of supporting

organizational structures in general hinders effective strategy implementation (e.g. Stead and Stead 2000, Dyllick and Hockerts 2002, Siebenhüner and Arnold 2007).

Our findings reveal that lack of a clear mission was perceived by employees to increase ambiguity regarding the relevance of sustainability in existing work tasks. Former literature addresses the importance of incorporating sustainability into the vision, and argues that a shared vision can reduce complexity in the decision-making process by providing guidance when opposing goals occur and contribute in setting strategic direction (Mirvis, Googins, and Kinnicutt 2010, Bonn and Fisher 2011). However, our findings indicate that mission deserves attention as well. A mission contributes to explain why a company does what it does. It concerns all employees, thus sustainability becomes everyone's business, which is an important aspect of overcoming fragmented implementation (Bonn and Fisher 2011).

Our findings further show that lack of specific sustainability procedures contributed to increase misconceptions and hindered effective implementation. In accordance with this Hrebiniak (2006) lists lack of guidelines as one of the top five obstacles in strategy execution. This is also supported by Bonn and Fisher (2011) who argue that without tailored recruitment and development programs employees' sustainability knowledge and skills fail to develop. They further argue that both training and recruitment procedures must be generated in order to guide managers in areas such as operations and human resources, which in turn contributes to in-depth strategy implementation.

Finally, we found that without appropriate resource allocation employees did not have sufficient room for innovation and execution throughout the organization, which in turn hindered holistic sustainability implementation. In line with this, Heide, Grønhaug, and Johannessen (2002) claim that without sufficient resources it is practically impossible to implement intended strategic initiatives. Bonn and Fisher (2011) further argue that sustainability must be addressed at all levels of the organization on an ongoing basis, something that requires adequate resource allocation.

Several of the challenges discussed above were highly connected to managerial circumstances. The importance of leadership in strategy implementation is a much-researched topic. The top executives are the ones that ultimately decides the direction of the business, thus without their commitment full sustainability implementation is practically impossible. Previous literature argues that top management is often guided by financial returns and thus may be difficult to persuade in terms of implementing sustainability (Engert, Rauter, and Baumgartner 2016). Contrary to this, we found that the top management in our case to a large degree was personally engaged in sustainability and did not see financial returns as conflicting with sustainability.

We argue that top management engagement contribute to facilitate sustainability implementation by motivating employees and keeping sustainability on the agenda on an ongoing basis. Paraschiv et al. (2012) supports this by stating that engaged leaders influence the efficiency and speed of reaching sustainability goals. Detailed knowledge and personal engagement will help to maintain sustainability on the agenda in the long run, which is essentially the very idea of sustainability. In short, true sustainability requires long-term commitment that begins with engaged leaders (Paliwoda, Slater, and Borland 2009).

Managerial implications

In order to create management engagement it is important that the leaders understand the concept of sustainability, thus recognize the potential benefits for the company. In some companies you may have leaders that already commit to sustainability that can push the rest of the team in the same direction. Other times the engagement may be found in especially enthusiastic employees. Either way, we argue that education is key in creating top management engagement, which in turn has the potential to propagate sustainability throughout the organization. The importance of training and development programs receive support in the literature (e.g. Siebenhüner and Arnold 2007, Lankoski 2008, Bonn and Fisher 2011). Providing leaders and employees with sustainability training procedures facilitates a more holistic implementation of sustainability by introducing relevant examples and infusing sustainability with a meaning that the employees can relate to.

However, evident from our case, management engagement alone is not enough to implement a sustainability strategy. Sustainability implementation requires joint efforts supported by various organizational aspects. We have seen that the concept of sustainability is cause for misconceptions and ambiguity, as many do not understand the company's objectives or the relevance for one's own work. We therefor argue that clear communication of the company's objectives is essential. This is also emphasized in the literature (e.g. Hülsmann and Grapp 2005, Epstein and Roy 2007, Siebenhüner and Arnold 2007, Paraschiv et al. 2012). Scholars argue that a change such as sustainability implementation must be both top-down, to establish the necessary structure and specify a sustainable vision, but also bottom-up, to motivate involvement by all employees (Mirvis, Googins, and Kinnicutt 2010, Paraschiv et al. 2012).

We argue that the middle managers play a vital role as intermediaries in this line of communication, and that their involvement is key to carrying out a sustainable strategy. The middle managers are the ones closest to the daily operations, and built-up trust between them and the employees is of significant value in the communication of sustainability matters. We therefor argue that they are the ones that should translate the company's overarching strategy and make it comprehensible and relevant for their employees. Companies must actively use their middle management in a two-way communication between the strategic level and the operational level. They largely influence the level to which a change is actually implemented, thus it is important to work on their attitudes and believes. This entails adequate training of middle managers in order for them to appropriately mirror the intension of the top management (Bonn and Fisher 2011). Although we found support for the importance of leadership in sustainability implementation, we did not find literature that specifically emphasizes the importance of middle management involvement in connection to sustainability. We believe this is an important contribution to the literature, and we call for further research on the subject.

Conclusion

Our aim with this master thesis is to contribute to the literature on sustainability implementation. We believe we have done this by providing an empirical study on the challenges that are likely to arise in the process of implementing a sustainable strategy. The problems we identified were strongly connected to the complexity concerning the concept of sustainability. Through our research we found certain managerial circumstances and hindering elements (i.e. lack of mission, inconsistent sustainability procedures, inadequate resource allocation, misconceptions of sustainability and inefficient decision-making processes) that we synthesized in a model explaining why sustainability was not fully implemented. We argue that when the elements in this model are addressed appropriately, managers may be able to reduce the complexities that surround sustainability. This should in turn increase an organization's ability to implement a sustainable strategy. We found that top management engagement is an important driving force in the pursuit of creating a sustainable business. We also believe that the trust between middle managers and their employees may play a key role in conveying a company's sustainable strategy and making it comprehensible for all. We call for further research on the connection between middle management and sustainability implementation.

A commonly addressed limitation of qualitative research is that the findings are not generalizable across industries or firms. However, through our case study we have generated principles that may be highly relevant for other domains. Even though our case is unique, there exist elements that are similar, if not equivalent, to other companies. Managers that find themselves in a similar situation, facing similar challenges, as presented in this thesis may therefor benefit from addressing the concepts established here. By identifying and discussing the challenges linked to the implementation of sustainable strategies we contribute to fill the gap in existing literature on the practices of sustainability implementation. We suggest that further research should focus on how to overcome such challenges by providing in-depth studies on how successful sustainability implementation may be done in practice. Sustainability is the defining challenge of our time, and we encourage both managers and scholars to be a part of the solution.

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BI Norwegian Business School

Preliminary Thesis Report

How sustainability can be integrated into an organization's strategy

A case study of Storebrand

Hand-in date:
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Campus:
BI Oslo

Supervisor:
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Program:
Master of Science in Business, major in Strategy

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Executive summary

Sustainability and its relevance for business has been a popular research topic for a while, but it is only quite recently that attention has been directed towards how sustainability can be integrated into an organization's strategy. The main objective of our thesis is thus to explore how organizations can successfully integrate a sustainability strategy into daily decision-making processes, including a case study of Storebrand. Part one of this preliminary will introduce our topic and present relevant theory, while the second part consists of explaining research method and design, as well as outlining project organization.

1. Introduction

We are exposed to immense evidence of the global environmental crisis, and the inconvenient truth is that we are destroying the planet in pursuit of financial growth (Gore 2006). Sustainability has become the defining challenge of our time, and businesses must be a part of the solution (Sigla 2015). Corporations rely on their environment to succeed in business, and similarly the world depends on business. Corporate sustainability is defined as the ability to meet the firm's needs as well as the needs of direct and indirect stakeholders, both present and future (Dyllick and Hockerts 2002, 131) . Even though most corporations acknowledge their responsibility towards the society and in the way they conduct business, many find it difficult to recognize and exploit opportunities that corporate sustainability entails. In addition, the increasing number of different standards and guidelines that claim what one should and should not do makes it difficult to get an adequate overview and prioritize accordingly. Corporations need to grasp how social and environmental challenges can be viewed as business opportunities affecting a company's competitiveness. Taking sustainability into consideration can therefor potentially benefit the company, *as well as* the society as a whole.

Accenture has performed a large CEO study on sustainability, asking more than 1000 top executives from 27 industries across 103 countries about their view on sustainability as a competitive advantage. They found that 80% view sustainability as a competitive advantage in their industry (Accenture 2013), making sustainability highly relevant for today's business environment. Although sustainability and its importance for business has been on the research agenda for decades, few have focused specifically on how to integrate sustainability into an organization's strategy (Bonn and Fisher 2011). Through a case study of Storebrand we believe this paper will contribute to fill this gap, and illustrate how managers can incorporate sustainability practices in daily strategic decision-making processes.

2. Research question and aim

Based on discussions concerning the topic above we arrived at the following working research question:

"How sustainability can be integrated into an organization's strategy".

We plan to research how companies can integrate sustainability into strategic decision-making processes and day-to-day activities, and find out how a sustainable strategic approach could actually benefit the corporation as well. In order to get an in-depth view on how this can be done, we will conduct a case study of Storebrand, a company that is considered to be quite successful with regards to their sustainability strategy. This research will include a detailed description of their operations with regards to sustainability, and an evaluation of what degree their sustainability strategy is embedded in the firm. We expect that our research process will lead us towards a logic funneling of our current research question, perhaps towards topics such as firm identity and/or specific leadership techniques with regards to sustainability integration.

Our aim is not to provide findings that are generalize across industries, but rather to explore a success story of sustainability integration. We hope this paper can trigger other managers to look for ways to adjust our findings to their industry, and exploit the business opportunities that could follow from such a strategic approach.

3. Theoretical background

The way our research question is framed requires certain specifications of the terms that are used. In this section we will explore the concept of sustainability and implementation, as well as provide a short introduction to the literature within these fields. Existing research on sustainability is mostly viewed through stakeholder theory, which is therefore also presented here. We acknowledge that our theoretical focus might be somewhat broad and that further specification is needed throughout the process.

Sustainability

Sustainability is broadly defined as "meeting the needs of the present generation without compromising the ability of future generations to meet their needs" (Brundtland et al. 1987, 24). Adjusting this to the corporate world, Dyllick and

Hockerts (2002, 131) define corporate sustainability as the ability to meet the firm's needs as well as the needs of direct and indirect stakeholders, both present and future. As an alternative to Corporate Social Responsibility (CSR), corporate sustainability is considered a precondition for doing business, and involves corporate activities that proactively seek to contribute to sustainability (Lozano 2013).

Former literature essentially divides sustainability strategy into to directions (Stead and Stead 2008). The first direction is driven by the process and how sustainable changes can lead to cost advantages. The second direction is driven by the market, and suggests that sustainability provides firms with a competitive advantage in terms of differentiation from their competitors. How sustainability is pursued differs between industries and between organizations, both with regards to means and organizational structures (Marshall and Brown 2003). A production company for instance may approach sustainability by minimizing raw material and reducing CO_2 emissions. While a service oriented company must approach sustainability in a different way. In this regard companies must also make the decision of whether to modify existing activities or to divest and develop new, more sustainable methods. Lozano (2013) finds that the most important external drivers for corporate sustainability are reputation, regulation and legislation, as well as customer demands and expectation, while the most important internal driver is leadership.

Most sustainability strategies are based on what is called the "triple bottom line", which refers to environmental, social and economic needs (Vanderbilt University 2015). Environmental concerns include the effective management of natural resources and the effect of industrialization and pollution. The economic perspective focuses on the value created by the company with a focus on long-term profits, as well as the corporations approach towards, and impact on market functions. The social aspect of sustainability is somewhat newer, and refers to social equality with regards to education, and a standard way of living. Kaptein and Wempe (2002) argue that corporate sustainability is the ultimate goal, while CSR is an intermediate stage were companies try to balance the triple bottom line. The literature coincides that a holistic perspective must be applied in order for corporate sustainability to make real progress (Baumgartner and Ebner 2010,

Baumgartner 2014, Engert, Rauter, and Baumgartner 2016, Lozano 2013). Furthermore, a sustainable business approach comprising of these three sustainability aspects, facilitates long-term value by embracing opportunities and managing risk (Bonn and Fisher 2011).

Stakeholder theory

Stakeholder theory is one of the most frequently used approaches in sustainability management (Hörisch, Freeman, and Schaltegger 2014). Central in this theory is not the organization itself but the relation to its stakeholders. When talking about stakeholders we refer to "those groups and individuals who can affect or be affected by the actions connected to value creation and trade" (Freeman et al. 2010). There are many reasons why stakeholder theory is a logic approach in relation to corporate sustainability. For instance, both concepts postulates that the purpose of business is to create value for all stakeholders, i.e. environmental, social and economic concerns (Hörisch, Freeman, and Schaltegger 2014). Thus, profit making is not regarded as unethical, but rather positive in the sense of creating mutual synergies. Achieving such an existence requires complex, unconventional management with both short-term and long-term perspectives.

Former literature relates stakeholder theory and the integration of a sustainability strategy in terms of stakeholder engagement (Yol Lee and Rhee 2007, Paraschiv et al. 2012, Lozano 2013). Stakeholder engagement is addressed in terms of making the sustainability strategy a part of everyone's job (Stead and Stead 2000, Paraschiv et al. 2012). Encouraging stakeholder engagement requires a deliberate plan to achieve the long-term objectives (Engert, Rauter, and Baumgartner 2016), as well as supporting organizational structures and hands-on management, all of which is further discussed in the following section.

Implementation

As to why firms choose to embrace corporate sustainability there are several possible explanations. Firms may feel obliged to, compelled to, or acknowledge that it is the right thing to do. In addition firms may also identify specific benefits and business opportunities from adopting a sustainability strategy. A firm's motive for implementing sustainability in their organizational strategy may have a strong impact on the level of integration. Bonn and Fisher (2011) argues that

viewing sustainability as a cornerstone for doing business entails adopting a strategic approach that integrates the triple bottom line in all aspects of the business and in an constant manner. It should be reflected in all activities within a company, evident in the company's vision and embedded in strategic decision-making processes on an ongoing basis.

There is no universal definition of "strategy implementation" in the literature. We therefore combine definitions from different researchers, e.g. Hrebiniak (1990) and Floyd and Wooldridge (1992), and define strategy implementation as *the process of transforming plans into action*. Hrebiniak (1990) was one of the first of to move beyond strategy planning and stress the importance and difficulties of strategy implementation. In more recent work Hrebiniak further identifies obstacles to effective strategy implementation (Hrebiniak 2006). For instance that managers are thought to plan, not execute, and that managers often leave the execution for the lower-level employees. He further argues that planning and execution must be treated as interdependent, and that managers must be aware that implementation takes longer than formulation and involves more people.

Several researchers have focused on organizational factors that may affect the success of strategy implementation. In exploring barriers to implementation Heide, Grønhaug, and Johannessen (2002) argue that communication structural factors are key. They further identify seven aspects of particular interest: "information systems, learning, allocation of resources, formal organizational structure including control systems, personnel management, political factors, and organizational culture". Within all these aspects, several additional factors come into play, making implementing a strategy a complex, time-consuming process. Specifically which aspects will be most central in this thesis is too early to say before speaking with Storebrand. However, we go into this process with a desire to focus on management/leadership and/or organizational culture, as these aspects are addressed as the most important drivers of effective sustainability decision making (Perrott 2015).

Linking sustainability and strategy

Sustainability and its significance for business performance is a popular topic, but it is only quite recently that attention has been directed towards how sustainability

can be integrated into an organization's strategy (Bonn and Fisher 2011). Current research can only offer non-generic findings on the subject, making integration of corporate sustainability into strategic management in practice a challenging task for managers (Engert, Rauter, and Baumgartner 2016). Previous literature reveals that companies tend to take sustainability for granted, and start the sustainability initiatives on an operational level rather than integrating it at all business levels (Bonn and Fisher 2011). In their review on integrating sustainability, Engert, Rauter, and Baumgartner (2016) combine findings from the literature in an attempt to outline a framework for managers. In line with this, it is suggested that integration should comprise of a normative, strategic and operational level (Robèrt et al. 2002, Labuschagne, Brent, and Van Erck 2005, Zhang et al. 2013, Baumgartner 2014). The normative aspect includes the company's vision and policy, organizational culture and corporate governance, as well as ensuring and enhancing external stakeholders perception of company legitimacy (Baumgartner 2014). The strategic aspect ensures effectiveness and that the objective can be reached (Engert, Rauter, and Baumgartner 2016, David 1989). Finally, the operational aspect entails efficiently implementing the sustainability strategy in the organization (Engert, Rauter, and Baumgartner 2016).

4. Method and design

Qualitative method

Whether to apply a qualitative or quantitative approach in our research was not clear to us from the beginning. On one hand, it would be very interesting to do a quantitative analysis in order to compare the competitiveness of firms with and without a sustainability strategy within a certain industry. On the other hand, a qualitative case study could provide the opportunity to explore how one specific firm manages to integrate sustainability in their corporate strategy. Concluding that the latter seemed more appealing, and is lacking in the research field, we decided on a qualitative method.

Figure 1, borrowed from Bryman and Bell (2011), illustrates the general main steps in qualitative research. The starting point of developing a working research question was done the spring of 2015. We knew quite early that we wanted to write about sustainability and was interested in looking into how such a strategic approach could also benefit the firm, and how integrating such a strategy was done in practice. As of today our research question is still somewhat broad, but we believe that the further process will help us to funnel down to a more specific phenomena within the strategic field. Step two in this model is to choose sites and subjects in order to investigate the specific topic. We have access to Storebrand, a company that market themselves as a pioneer within sustainability, and the choice therefore naturally fell on Storebrand as our research subject.
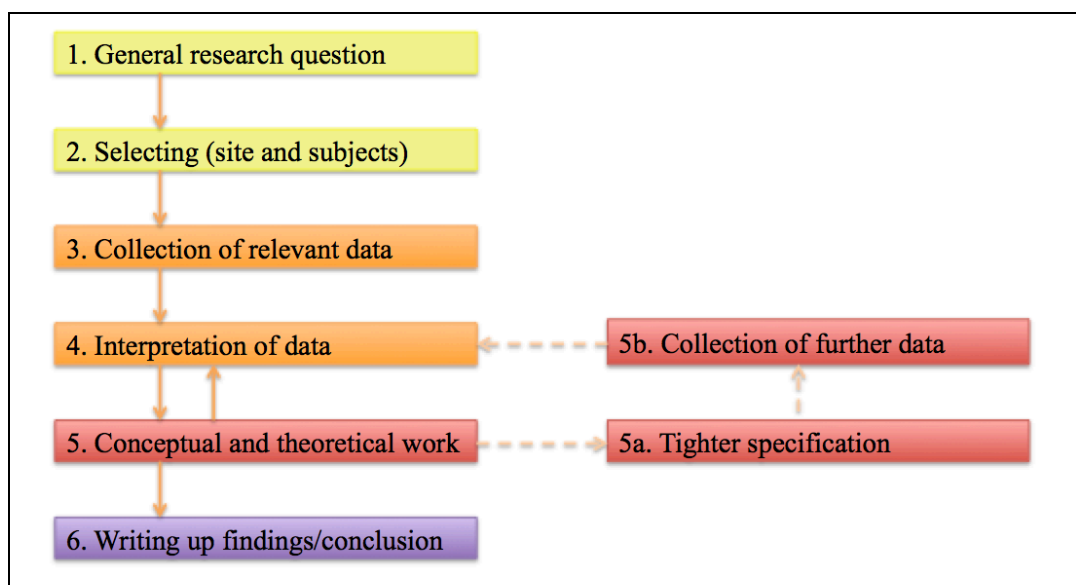

Figure 1: An outline of the main steps of qualitative research (Bryman and Bell 2011, 390)

The main method of data collection, step three, will be semi-structured interviews, a flexible method that captures how our subjects interprets sustainability and whether the sustainability strategy is apparent in their daily activities. We believe this method will be helpful in capturing the uniqueness of our case study, and may provide insight on how to approach sustainability in practice. The process of interpreting our data will hopefully make it possible to draw some conclusions on our topic, and further let us conceptualize our work. This process is likely to be repeated again and again as new information from the interviews may provide further evaluation and tighter specification of our problem. The last step in this model, writing up findings and drawing conclusions, will be done somewhat simultaneously with our research process, but finalized only after all previous steps are completed.

Limitations

When making the choice between qualitative and quantitative research method it is important to have a clear perception of the desired outcome. A limitation of a qualitative method is that potential findings will not be generalizable across industries or firms. Although this is not our intention, it is still a limitation of the study. Another limitation with qualitative method is that the information we obtain is limited to the number of people and their positions, which might induce subjectivity and biases. However, we will try to get a diversified and relevant sample of interview objects. Another factor is that participants may not feel confortable enough to always tell the whole truth or wish to portray the company in an overly positive manner. We will do our best to avoid this by making a comprehensive interview guide and assure that the participant's are confortable enough to paint an accurate picture. Finally, another limitation of qualitative methodology is time and available resources, as in-depth case studies are often carried out over a longer period of time than what we have available.

Ethical concerns

During the process of this study, it is not unlikely that we uncover parts of Storebrand's sustainability approach that may not be completely optimal. In any such case, those findings will be portrayed in a professional manner, and not in any way scrutinizing. All findings will be subject to sensitivity, anonymity, and

confidentiality. Lastly, all data collection will depend upon informed consent by every research participant.

5. Project organization

A master thesis is, as mentioned, constrained by both time and resources, which emphasizes the importance of project organization. Starting the thought process of this thesis last spring, we developed a drafted plan. Having discussed our thesis and our topic on and off the past year, we are so far in accordance with this plan. The road ahead is of course where the heavy work lies, and in order to coordinate and ensure control during the process, we have created a Gantt chart (see Figure 2 bellow). The colors in this chart are coordinated with the colors of the main steps in qualitative research, illustrated in Figure 1.

Activity	Mar.15 - Dec.15	Jan.16	Feb.16	Mar.16	Apr.16	May.16	Jun.16	Jul.16	Aug.16	Sep.16
Brainstorming, discussions etc.										
Identify research area and research question										
Select site and subjects										
Formulate research strategy, design and methods										
Identify theoretical background										
Adjust the former										
Write preliminary										
Hand- in preliminary		15th								
Literature review										
Contact participants										
Prepare interview guide										
Interviews										
Interpretation of data										
Write draft										
Evaluate research question										
Evaluate literature review										
Proofreading										
Hand in first draft										
Write final draft										
Hand in master thesis										1st

Figure 4: Gantt chart for master thesis

The activities from March 2015 to January 16th 2016 are completed as of now, and we will use the remaining of January to further develop the theoretical background and prepare the literature review. As the theoretical aspect falls into place we will contact Storebrand and make arrangements for our meetings to come. As we obtain more information from Storebrand we will continue the literature review and narrow in on a more specific research question. Further we plan to get most of the data gathering done by March so that we can start the interpretation in April. This gives us room to evaluate research question and literature review, as well as contacting our research objects at a later stage, if that will be necessary. However, we acknowledge that we need to be flexible with

regards to our participants and our supervisor, Helene Coleman. Throughout the process we will keep an open dialogue with Helene, either in person or by email, as it seems fit. By May we plan to provide Helene with our first draft. The final draft should be finished by the end of June as we plan to let the paper be for a few weeks, and thus have a more objective and critical eyes on it later. In August the content should be set, and we will focus mainly on proofreading before handing in the final thesis September 1st.

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