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Sustainability reporting: A catalyst of change?

A qualitative study investigating the utilization and integration of non-financial information in five Norwegian SMEs.

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Administration and leadership

Preface

This thesis represents the end of an insightful journey at Norwegian University of Life Science (NMBU). When I decided to take a master's degree, it was due to a growing desire to hone my analytical skills in economics and acquire a proper intellectual grasp of sustainability, so I could discover how to pave new ways and create valuable solutions for a better future. I believe the world historically is facing one of the biggest challenges we have seen. With climate-change knocking on our door on one side, and a growing protectionistic political global wave with its hate rhetoric and jingoistic reforms on the other, I believe we are looking into the eye of an era where we will need to find a different pathway. In my future career I want to contribute to make this shift a reality. Therefore, I contacted Gro Ladegård, the Dean of the School of Economics and Business, and took the initiative to create NMBU´s first MBA in circular economy and sustainability. Luckily, Ladegård found this idea intriguing, and together we formed a pilot-master´s programme with me as the first student. It is undoubtedly challenging to create the same master´s programme one is attending, however, attending this pilot-master and the process of creating the programme itself, has given me the valuable insights and knowledge I felt is needed to co-create the solutions of tomorrow.

For the thesis I knew from the beginning that I wanted to find a topic in the cross section between value for society and the planet and my personal interests. Understanding the underlying system and barriers of today´s sustainability reporting practice ticked many boxes, as I believe non-financial information has the potential to put the spotlight on values and matters often overlooked and bypassed in our society today. I believe it can lead to everything from missed business opportunities to making negative externalities more visible. After tipping my toes into this ocean, Accounting Norway invited me to write my thesis as part of one of their projects. I accepted the offer.

Consequently, it should be noted that this thesis is conducted as a part of a project called Nordic Sustainability Reporting Standard (NSRS) initiated by Nordic Accountant Federation and funded by Nordic Innovation. The main goal with the NSRS-project is to develop a simplified sustainability reporting standard for Nordic small and medium sized companies (SMEs). This thesis is conducted in the early-development phase of the NSRS-project aiming at harvesting insights, unpack and understand today's utilization of the sustainability report in Nordic SMEs. The main findings of this thesis is an important cornerstone of the further development of the standard and is thus guiding the ideation of the standard as such. The Milestone 1 report can be retrieved here: https://nsrs.eu/reports/milestone-1

I would also like to use this preface to thank the people that have guided me through the process of creating the master´s programme and creating this thesis. First of all, thank you to Gro Ladegård which wanted to pave the way for new knowledge, and thank you for wanting to do this together with me. Secondly, I would like to thank my supervisor Bernt Aarset; for his short reply-time on my many emails, his detailed feedback and his ability to push me back on track when I was lost in the process. Further, I like to thank Kaja Koppang, my co-project leader in the NSRS-project and lifelong friend, for making me believe in myself and seeing opportunities where others see problems. Finally, I would also like to thank Einar Braathen, Anne Lund and Lena Cappelen Endresen for your critical view, your honesty, and your ability to ask good questions.

Thank you and enjoy!

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Abstract

Background: Existing literature point to sustainability reporting *as a tool* to improve sustainable profitability and claim that promoting the availability and utilization of non-financial information to decision makers, represents an unexploited potential for facilitating a sustainability transition for the business world. However, literature also claims that today´s sustainability report practice mainly leads to non-financial data of such low quality that it hinders the business in directly using the data for improving the company´s sustainability performance.

Purpose: Consequently, the purpose of thesis is devoted to increase the understanding of *how* non-financial information retrieved for reporting on sustainability, is being integrated and operationalized in Norwegian small and medium-sized enterprises (SMEs) today, and how the motivations and ethical values shape how the non-financial information is utilized on company-level.

Methodology: The research was carried out as a qualitative multi-case study, studying five Norwegian SMEs that have an established sustainability reporting practice. The primary source of data was semi-structured interviews with 6 relevant interviewees from the chosen cases. Supplementary data was retrieved from the case´s sustainability reports and 6 open interviews with leading interest organisations and other relevant institutes.

Main findings:

All the SMEs investigated state that in order to be effective in improving the overall sustainability performance of the company, the retrieving of non-financial information needs to be less resource demanding, less cumbersome and less complex. The study further reveals that *how* the companies were utilizing and integrating their non-financial information, was largely based on one pivotal aspect: Motivation[1]. In fact, the findings illustrate the divide between "exogenously" and "endogenously" motivated companies and parted the five cases in two distinct groups. The endogenously motivated cases showed a strong connection between sustainability reporting and sustainable profitability, while the exogenously motivated cases failed to show a direct link between sustainability reporting and increased sustainability performance.

[1] In this thesis I have classified the motivations found in literature in two main groups; 1) exogenous and 2) endogenous motivations. Having sustainability built into the business model or the urge of one daily manager wanting to transform the company, are examples of endogenous motivations found in the empirical study. Examples of exogenous motivations are costumer demand and branding.

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Abbreviations

CC Corporate citizenship

CEO Chief Executive Officer

CSR corporate social responsibility

EDP Environmental Product Declarations

EEA European Environment Agency

EU European Union

EY Ernst & Young

IIRC the International Integrated Reporting Council

IR integrated reporting framework, created by the IIRC

GDP Gross Domestic Product

GHG-emmissions Greenhouse gas emissions

GRI The Global Reporting Initiative

KPI key performance indicator

LCA Life Cycle Assessment

NMBU Norwegian University of Life Science

NSD Norsk senter for forskningsdata

NHO The Confederation of Norwegian Enterprise

RQs research questions

SMEs Small and medium-sized enterprises

UNEP United Nations Environment Programme

RQ research question

1. Introduction

1.1. Let´s set the scene

Humanity and its current societies have impacted the exogenous landscape in such a radical manner (Kendall, 1992, p.1-3), that the planetary systems, which indeed supports all life on

Earth, is on the verge of collapse (Steffen et al., 2015). As global efforts join forces to face this agency, they have been classified as sustainability challenges (IPCC, 2016).

For decades, scholars have directed the focus to the role of the enterprise, pointing out that companies are major contributors to creating the sustainability challenges facing our global society (Hart, 1997; Buller & McEvoy, 2016). As a result of their contribution to status quo, they argue that companies should play an important role in enabling the transitions towards a sustainable global society (Buller & McEvoy, 2016). However, *how* companies can become sustainable is a complicated question.

Specifically, small and medium-sized enterprises seem to find "this question" hard to tackle, as they are laggards in succeeding to undergo a sustainability transition when compared to their larger counterparts (Walt, 2018). SMEs is the backbone of Europe's, and thus also Norway's, social and economic fabric. Therefore, increasing corporate sustainability performance of SMEs is key in order to ensure a sustainable global society (OECD, 2015).

Some researchers link systems that can measure sustainability performance[2], to increased corporate sustainability performance (Morioka & de Carvalho, 2016). This corresponds well with Hauser and Katz, that addresses measurements to have a crucial role in enabling the transition towards a sustainable global society, claiming that "you are what you measure" (Hauser & Katz, 1998).

Today, the main incentive put forward in existing literature for businesses to collect and measure on sustainability, is the sustainability report (Nylund, 2017). However, *what* a sustainability report *has* to include and *how* to perform it, is the choice of the reporting company entirely (Maas et al., 2016, p. 240). The undefined and enormous wiggle room of what the sustainability report may contain, leads to today´s sustainability reports suffering from low quality (S Bernow et al., 2019; Maas et al., 2016).

Many scholars support the idea of sustainability reporting as a potential key to accelerate a corporate sustainability transition (Hauser & Katz, 1998; Morioka & de Carvalho, 2016), but only *if* the so called non-financial information in the report is handled with the will and the skills needed to utilize the information towards increased sustainability performance (Maas et. al, 2016). Thus, *how* the non-financial information is integrated and utilized is crucially important

[2] For the sake of this paper we will use Morioka & de Carvalho's (2016) definition of sustainability performance; *"the degree to which an organization improves its performance in respect to its global sustainable development responsibilities, the implication for firms to promote corporate sustainability performance is to incorporate sustainable development challenges into business through operational practices and business strategy"* (Morioka & de Carvalho, 2016, p.135)

in order for the company to make the sustainability report lead to actual increase in the company´s sustainability performance.

The data collected on a company´s sustainability-oriented activities will be referred to as non-financial information in this thesis, which builds upon one of two main academic approaches to non-financial information (Erkens et al., 2015). Examples of non-financial information can be industry-specific indicators, qualitative indicators, job satisfaction, employee training, employee turnover and CO_2-equivalent emissions (Erkens et al., 2015).

While many scholars address *why* the integration of sustainability reporting can play a role in the greater sustainability transition, the *how* is seldom addressed. *How* sustainability reporting is integrated towards increased sustainability profitability is an identified knowledge gap in the literature (Maas et. al., 2016). Further, our knowledge about the sustainability attitudes and actions of SMEs is limited. This is also the case in Norway (Sveen et al., 2020). More knowledge about sustainability in SMEs is crucial since these firms comprise a large and crucial part of the Norwegian economy.

Furthermore, Norway (in 2016) has ratified the international Paris Agreement on climate change, which aims to limit global warming to well below two degrees compared to pre-industrial times, which in turn means that society globally must be carbon neutral by 2070. Nationally, the first goal is to reduce greenhouse gas emissions by at least 50% by 2030 and achieve a carbon-neutral economy by 2050, in cooperation with the European Union (EU). The climate goals mentioned above are laid down in the Climate Goals Act in the Norwegian law (Lovdata, n.d.).

Consequently, I endeavour to supplement existing literature by investigating the knowledge gap on integrated sustainability reporting by exploring the following research questions (RQs):

1) *How are Norwegian SMEs integrating and utilizing the non-financial information from their sustainability reporting practice to increase the company's sustainability performance?*
2) *...and how does the company's ethical stand shape the integration and utilization of the non-financial information?*

In order to answer these questions, I will first conduct an explorative literature search which aims at 1) setting the literary context and 2) give a theoretical context which will be used when analysing the empirical study. Subsequently, I will set out to do a qualitative multi-case study

of a selected group of five Norwegian SMEs who already are engaging in reporting on sustainability. My primary data source will be collected through semi-structured interviews. Supporting data sources will be the SMEs sustainability report and open interviews with leading interest organisations and other relevant institutes.

1.2. Thesis structure

This thesis is divided into 7 chapters. This chapter is the first and aims at giving a brief introduction to the thesis context, problem definition, identified knowledge gaps and research questions. Thereafter, the thesis proceeds with Chapter 2 where the most relevant literature related to the research phenomenon is discussed. The literature is organised into topics that emerged through the research. The 3rd chapter introduces applicable theory as well as presenting the research questions again, this time with a deeper theoretical and contextual foundation. In Chapter 4 the methodology is justified. Research design and methods for data collection and analysis used in this study are introduced. In Chapter 5, the results of the empirical study is presented, and in Chapter 6, the analysis is discussed in relation to existing literature. Research summary, limitations of the study and suggestions for further research is presented in Chapter 7, which concludes this thesis. For the reader to know; the bold text will be the narrating text guiding you through the thesis.

2. Background

This chapter seeks at giving the literary context of this study. I have conducted a literature search, and the most relevant literature will be presented in this chapter; 1) the general systemic context of the global sustainability challenges and how the nature of the problem makes it hard to tackle, 2) why SMEs are highly topical in this matter and 3) how sustainability reporting might be a key in tackling of the sustainability challenges the global society face.

2.1. The wicked sustainability challenges

How the business world tries to tackle the sustainability[3] challenges facing our global society today, has been around since at least the late 1950s, when the term *corporate social*

[3] In this thesis, the term sustainability is used when referring to sustainability in the context of corporations, following the prevailing convention in the business world today (Gatti & Seele, 2014, p. 89–102). I find it useful to employ the sustainability scholar John Elkington's definition, which famously introduced the triple bottom line in the 1990s. The triple bottom line refers to the three standards by which companies provide value from their

responsibility (CSR) rose to prominence (Crane & Matten, 2016, p. 48). Nevertheless, it is far from straightforward for businesses to be able to take action, or to *make* businesses take action, to address the sustainability challenges as the sustainability challenges can be described to be categorized as "wicked". Rittel & Webber (1973) defines a wicked problem as a type of problem where 'normal' solutions no longer seem to work. Wicked problems have complex interdependencies, which may reveal or create new problems when trying to solve aspects of the wicked problem, additionally a common trait is that a deep understanding of the problem most often occurs first when trying to solve it. Rittel &Weber add that there are multiple stakeholders involved, some of them are unknown or even invisible. Besides, there is often no agreement on the nature of the problem, and certainly no clear view on what interventions might work to resolve it, as wicked problems often are complex (Rittel & Webber, 1973).

Donella Meadows, a 'Systems Thinker' and an author of the book 'Limits to Growth' demands a new approach for wicked problems. This approach demands non-linearity, interconnectedness, synthesis, emergence, experimentation, causality and feedback loops, and is what she calls a systemic approach. With the goal being to rearrange system structures to preference desirable effects (Meadows, 2008). Meadows defines a system this way: *"A system is a set of related components that work together in a particular environment to perform whatever functions are required to achieve the system´s objective"* (Meadows, n.d, cited in Acaroglu, 2017). Researchers and multiple stakeholders now acknowledge the need for holistic responses to the wicked sustainability challenges (Europcean Environment Agency (EEA), 2019; Meadows, 2008). The kind of change required to transform the prevailing trajectory of human affairs is presented as a change that requires a major shift, and a complete transformation of the system itself, not only in a few aspects of the system (European Environment Agency (EEA), 2019). Approaching the wicked sustainability challenges as a system´s thinker, one must find a leverage point to change the system. A leverage point is a place within a complex system where a small shift in one thing can produce big changes in everything (Meadows, 2008). According to leading researchers in the field, information and its flows is one of the key leverage points called attention to in order to rearrange the system (Markard, 2017). Meadows (n.d) calls missing information flows the most common causes of

business: pure *economic, environmental* and *social.* The choice of Elkington's definition regarding sustainability in the corporate context is justified as the concept of the triple bottom line has gained appraisal and has been widely cited in literature (Elkington, 2010, cited in Nylund, 2017).

system malfunction, and states that adding and restoring information flows can be a powerful intervention. She states that a key leverage point to intervene in a system is 1) to prevent actors in a market to twist information in their favour, and 2) to help create information flows that exposes the actual patterns of businesses, and thereby make them easier accountable for their action (Meadows, n.d.). Therefore, I want to explore information as my entry point for this thesis, thus, the chosen leverage point of investigation for this thesis is non-financial information´s ability to improve Norwegian SMEs sustainability performance.

Before unpacking the potential of sustainability reporting further, an introduction to why SMEs are a highly topical segment to research in this study´s context.

2.2. Small and medium-sized enterprises and sustainability performance

There are several criteria that can be utilized when defining a SME. In this paper Spilling´s (2000) definition of a SME in a Norwegian context is used, presented in the table below (Table 1) (Spilling, 2000, cited in, Austbø & Dybing, 2019). The Norwegian definition differs from the European Union´s (EU) also presented in the table below.

Table 1: Categorizing companies by number of employees in Norway and EUs, (Austbø & Dybing, 2019)

Company category	Norway	EU
Small	0-19	0 - 99
Medium-sized	20-99	100 - 249
Large	> 100	> 250

Financial and social: 99% of all corporations in Europe are SMEs and they are being accountable for more than half of the region's GDP (European Commission, 2020). The financial impact of SMEs is of a significant matter. According to the European Commission (2020), Europe holds about 25 million SMEs which all together employs around 100 million people, as well as being accountable for more than half of Europe's Gross Domestic Product (GDP) (European Commission, 2020). Statistics thus tells us what indisputable value-adding power SMEs make up in a European context. SMEs are highly embedded into Europe's social construction. It is estimated that SMEs provide between 55 per cent and 80 per cent of total employment in Western Europe, Japan and USA (Katua, 2014, p. 466), and according to European Commission SMEs provide two out of three jobs (European Commission, 2020, p. 1).

Environmental: SMEs accumulated accounts for a substantial part of energy consumption and waste streams in Europe, in addition approximately 64% of the industrial pollution in the

European Union (EU) is attributed to SMEs (Constantinos et al., 2014). Furthermore, the study indicates that only a minority of SMEs in the European context take actions to reduce their environmental impact; 3-4% of micro-businesses, 7-8% of small companies and 6-7% of medium-sized companies (Miller et al., 2011). However, there is high uncertainty related to these numbers as the complex and burdensome nature of quantifying environmental impacts is in reality hidden behind every number (Constantinos et al., 2014).

SMEs have some characteristics that could work in their favour in the path of becoming sustainable. While it is said that elephants cannot dance, SMEs by contrast are nimble and flexible by nature, which is an important characteristic for change (Bos-Brouwers, 2010). Furthermore, studies show that SME-managers tend to have more freedom in decision-making processes compared to managers in large organizations carrying out a sense of responsibility and increased motivation which in many cases generates higher social and environmental engagement on a personal level (Hammann et al., 2009; Williams & Schaefer, 2013). Further, the centralized power structure and low level of hierarchy commonly found in SMEs enables easy integration of market needs and technological changes (Pierre & Fernandez, 2018).

Nonetheless, SMEs are the laggards in taking action towards sustainability-oriented activities compared to large companies (Walt, 2018). There are several barriers to overcome in order to pave the way for SMEs to become sustainability leaders. Pierre & Fernandez (2018), for example, highlights how the simple, informal and flexible structure of SMEs can also limit innovation performance as formalities such as processes or methods to properly assess the costs of the innovation projects is not integrated (Pierre & Fernandez, 2018). However, research shows that the characteristics that make out the biggest difference in SMEs compared to larger companies ability to enable a sustainable transition, emerge largely from effects caused by differences of resource availability such as capital, time, knowledge and skilled personnel, and differences in scale of operations (Biondi et al., 2000; Gerrans & Hutchinson, 2000; Hammann et al., 2009; Hillary, 2000; Loucks et al., 2010). These very characteristics often outnumber the other advantages and make SMEs fall behind in the transition regime (Loucks et al., 2010). Hörisch (2014) finds availability of skilled personnel, or experienced managers, as the most important problem caused by resource scarcity in SMEs (Hörisch et al., 2014; Walt, 2018). SMEs also have limited capacity to interpret and respond to relevant regulatory requirements and policy incentives, making the transition landscape challenging for SMEs to operate within

(Bos-Brouwers, 2010). Furthermore, the lack of resources is likely to lead to risk-averse behaviour among SMEs as the payback period when investing in sustainability-oriented activities is uncertain in terms of time horizon (OECD, 2015). The bundle of barriers, mainly related to lack of resources, can partly explain the lack of action in relation to sustainability transitions among SMEs (OECD, 2015).

Moreover, there are few tools designed and simplified to support SMEs in their transition (Džupina & Mišún, 2014). Available instruments are not fitting for SMEs and there is a need of more tools being developed specifically for this segment (Arena & Azzone, 2012). Yet it is dangerous to accept homogeneity of SMEs, as their characteristics vary essentially in history, across regions, sectors, cultures and ownership structures. Generalizing SMEs is dangerous as the only thing that makes them similar are size (Williams & Schaefer, 2013). As SMEs lack resources to enable a sustainable transition, and the applicable tools are absent, the incentive for undergoing a sustainability transition comes around as scarce.

How to enable SMEs not to be sustainable laggards, materializes as a wicked problem as well. Nevertheless, the need to address SMEs to enable them to join a sustainable transition seems to be evident in existing literature, despite their lack of resources and other barriers to overcome. Subsequently, I wish to explore this issue further and contribute to unpack the *SME-sustainability-performance-challenge* by choosing SMEs as the segment of research in this study.

The topicality of SMEs has now been introduced. Before unpacking *how* a sustainability reporting can enable SMEs to undergo a sustainable transition (Chapter 3), an introduction to sustainability reporting is given.

2.3. Sustainability reporting

This chapter aims at providing an initial definition of sustainability reporting, outline the impact potential of sustainability reporting, give a brief introduction to the history and heritage of sustainability reporting and present current sustainability reporting practices among SMEs.

2.3.1. Sustainability reporting: A short introduction

Thaslim and Antony (2016) describe sustainability reporting as the process of *"gathering of sustainability information in a systematic and presentable way such that an easy comparison with the past and progress concerning the target is possible, for the improvement in environmental, social and economic aspects of the company"* (Thaslim & Antony, 2016, p.25). This corresponds well with Reynolds (2017) which states that disclosure of non-financial performance and transparency can facilitate a more informed dialogue with stakeholders, enabling investors and other stakeholders to make informed decisions (Reynolds, 2017).

According to Thaslim & Antony (2016), sustainability reporting originated in the 1980s, due to significant public pressure over concerns for the environment. Companies with significant negative externalities responded by developing reports to communicate their 'environmental performance'. At the time, stakeholders were comprised of *"civil-society groups, governments, and other constituencies"* who had *"called on companies to account for their impact on nature and on the communities where they operate"* (S Bernow et al., 2019, p.2). Sustainability reporting chiefly became a tool for managing business reputation (Thaslim & Antony, 2016), rather than its intended purpose of improving the sustainability performance of the organisation (Thaslim & Antony, 2016).

Since the 90s, and especially during the last decade, the prevalence of sustainability reporting has increased. In 2014 Ernst and Young released a report, "Sustainability Reporting – the time is now," which assessed the status of sustainability reporting globally, including 95% of the world's largest companies. The report concluded that *"sustainability reporting is becoming a mainstream business practice"* (Ernst & Young (EY), 2014, p.4). EY´s findings was supported by a study investigating the top 100 companies (by revenue) from 49 countries, which found that 75% of the companies have a sustainability reporting practice (KPMG et al., 2017). Since then, the number of reports has increased to around 90% to 95% of large companies.

The process of sustainability reporting and the contents of the report are not universally defined. The Global Reporting Initiative (GRI), an administrator of one of the major sustainability reporting frameworks at a global level, specifies that a sustainability report should encompass the organization's economic, environmental and social impact caused by its everyday activities. It emphasises performance, progress, strategy and commitment to a sustainable global economy (GRI, 2020). However, just like Hubbard (2009) states, exactly *what* a sustainability report *has*

to disclose is the choice of the reporting enterprise entirely (Hubbard, 2009, cited in Maas et. al, 2016, p. 240). The process of making a report is informed by a large variety of recommendations and frameworks. Organisations and businesses face many options deciding how to record and report their engagement with sustainability. The sustainability reports may include specific sustainability reports, but also press releases, websites, advertising, informing at the point of purchase, and being disseminated through PR channels (Du et. al., 2010, cited in Nylund, 2017). The undefined scope and enormous wiggle room available for choosing what is included in the sustainability report, means current sustainability reports suffer from low quality (S Bernow et al., 2019). Thus, even though a loose definition of sustainability reporting exists, there is strong variability in what corporations choose to include in their *sustainability reports.* However, the common thread among sustainability reporting guidelines and regulations, is that the information should encompass transparent, consistent, relevant and comparable non-financial information (Finanstilsynet, 2020; S Bernow et al., 2019)

2.3.2. Sustainability reporting and SMEs

According to a study on sustainability regulation from 2016, a total of 383 reporting instruments for sustainability reporting were in place in 2016. 1/3 of these reporting instruments apply exclusively to large listed companies. The remaining 2/3 can be applied to companies of any size, or to other types of entities such as state-owned organisations etc. Only 9 instruments applied specifically to SMEs (KPMG et al., 2016). As of today, SMEs are not required to report on their impacts, and most sustainability measures are voluntary in Norway (Finansdepartementet, n.d., p.70). As a result, sustainability-reporting practices are not very common among SMEs (KPMG et al., 2016). However, when a SME does engage in a sustainability report practice, they tend to find it easier to disclose on indicators already being measured, such as energy consumption and waste management (Plugge & Wiemer, 2008). There is an apparent need for more applicable sustainability reporting instruments and frameworks for SMEs. This is supported by Stoknes, (2018), which called for the Norwegian government to enact a mandatory SME-specific sustainability reporting standard, in order to push SMEs to take part in the sustainable transition (Stoknes, 2018).

3. Theoretical context

The 3rd chapter introduces the theoretical foundation upon which I have built my empirical study. The theory presented will be used when conducting and analysing the empirical study. I have chosen to rely heavily on three fields of theory presented as followed; 1) present the root-barriers that prevents the natural link between sustainability

reporting and sustainability performance 2) presentation of a theory which specifically addresses how to link sustainability reporting and sustainability performance, 3) present three business ethical views as well as a brief overview of the motivations for businesses to incorporate sustainability found in literature. Finally, I will repeat the presented research objective and questions, this time with a deeper theoretical and contextual foundation.

3.1. Sustainability reporting; a systemic approach

According to (Maas et. al, 2016), the prevalence of sustainability reporting is becoming mainstream. But this does not necessarily imply that the reports provide sustainability performance information that is comparable, relevant and reliable with sufficient scope and depth for the company and its stakeholders. There are several underlying reasons for the low-quality information generated by today´s sustainability reporting system. In the appendixes (Appendix 1) you can find a system-map summarizing and synthesizing the findings of the literature search. The map suggests three root-causes for why sustainability reporting leads to insufficient sustainability performance for the reporting SME; 1) Internal capacity for SMEs, 2) insufficient standardisation and harmonisation and 3) insufficient integration of non-financial information. The following two sections will focus on two of these root-barriers; *consequences of the insufficient standardisation and harmonisation of the sustainability reporting system*, and *the insufficient integration of non-financial information*. The internal capacity for SMEs has been covered in earlier sections.

3.1.1. Insufficient standardisation and harmonisation

An evident trend in the climate governance landscape is the evolution from monocratic[4] towards a so-called polycentric landscape[5]. Due to sustainability challenges being a wicked problem, the evolution to a polycentric landscape emerged from the recognition that addressing sustainability requires complex interaction between actors and institutions at multiple levels, and alignment of public, private, international, national, subnational and local regulations (Bernstein et al., 2010). A consequence of this polycentric landscape is a significant rise in the quantity of the frameworks, standards, key performance indicators (KPIs) and guidelines for sustainability reporting, mostly consisting of market-led initiatives (Bulkeley & Newell, 2010). According to the sustainability regulation review, we see that a total of 383 reporting

[4] Monocratic approach; top-down approach such as the Kyoto Protocol in 1992.

[5] Polycentric approach; a bottom-up and multiple actors´ approach.

instruments were in place in 2016 as opposed to 60 in 2006. This trend will, according to the review, continue to grow in the future (KPMG et al., 2016). The sustainability reporting framework scene thus, appears as an inconsistent and confusing jungle (Maas et al., 2016).The inconsistency and incoherence of guiding frameworks makes it difficult for organizations to shape solid sustainability reporting processes and channels (Eccles et al., 2012; Maas et al., 2016). Not only is there a lack of comparability between sustainability reports (Eccles et al., 2012; Maas et al., 2016), companies must compromise between pursuing transparency, protecting trade secrets and managing public relations (Maas et al., 2016).

Etsy & Karpilow (2019) argue that existing voluntary sustainability disclosure frameworks are insufficient— and will remain so— to satisfy informational demands. They state that many scholars and investors are worried that sustainability data produced through voluntary, unaudited disclosure regimes will be biased due to selective reporting. Due to the information asymmetry[6], they claim that the market for sustainability reporting has become dysfunctional. Esty & Karpilow (2019) argue that current information barriers to sustainable investing are best addressed through a mandatory disclosure regime, providing investors with a menu of relevant sustainability metrics capable of distinguishing sustainability leaders from laggards. They suggest a uniform set of methodological standards to achieve the level of comparability that mainstream investors require, and argue a mandatory reporting regime would significantly reduce the nonreporting and selective-reporting problems that currently plague sustainability metrics. The authors do state that creating a mandatory reporting regime will undoubtedly be challenging, sluggish and time consuming. But they stress that there are good reasons to believe that efforts to develop a robust mandatory sustainability disclosure framework will succeed. For one, such a regulation has strong support from large segments of the investor community. In addition, much of the intellectual and regulatory groundworks for a mandatory sustainability reporting program have already been laid through decades of financial disclosure standards and years of experimentation with sustainability metrics (Esty & Karpilow, 2019). An argument

[6] Information asymmetry; disparities between the non-financial information generated by the company and the accurate situation of the company. Information asymmetries have several far-reaching negative consequences. They can reduce market efficiency especially if they lead stakeholders, who would have preferred to include sustainability in their decisions, to make suboptimal choices (Petersson, 2019). Information asymmetries may also slow the growth of genuine sustainability improvement initiatives, as fewer companies would be inclined to embrace sustainability initiatives if they cannot demonstrably differentiate themselves from competitors who do not embrace these initiatives (Petersson, 2019).

working against a mandatory reporting regime is the extra regulatory burden this would give the businesses, especially the SMEs (Bos-Brouwers, 2010).

3.1.2. Insufficient integration of non-financial information

Several strands of literature suggest that integrating the reporting activities more deeply within the day to day financial and operational management, may steer the company towards realizing increases in sustainability performance. Existing literature suggest that available non-financial information can be used by management to guide business decisions. Promoting the availability of such information to decision makers therefore represents an unexploited potential for facilitating transition, and can be a potential leverage point to help resolve the wicked sustainability challenges (Maas et al., 2016).

Maas et al. (2016) point to sustainability reporting *as a tool* to incorporate sustainability into operational practice and business strategy. Maas et al. (2016) investigate links and partial links between sustainability performance measurement, management accounting, management control, and reporting. They find that sustainability reporting should not be seen as a practice isolated from measuring, managing, accounting and controlling. In order to be effective in improving the overall sustainability performance of a company, it should rather be seen as fundamentally interconnected with these concepts (Maas et al., 2016). They further suggest a framework in order to achieve this. The framework will be presented in the next section of this chapter.

Maas et al´s. (2016) research aligns with Epstein & Buhovac (2014), who claim that in order for sustainability to be long-lasting and useful, it must be representative of, and integrated with, day-to-day corporate activities, corporate performance and business decisions. This integration extends to identifying, measuring, and reporting the present and future impacts of products, services, processes and activities (Epstein & Buhovac, 2014). Scholars such as Hart & Milstein (2003) and Porter & Kramer (2006) assert that when sustainability performance data is integrated into management decisions, it can not only become a source of innovation, but can also lead to sustainability improvements and value for society, ecosystems and business (Hart & Milstein (2003), Porter & Kramer (2006) cited in Maas et al., 2016, p. 241).

The idea of integrating the sustainability report into business is not entirely new. Knauer and Serafeim (2014) defined "*integrated thinking"* as *"the systematic management of natural,*

human, financial, physical, intellectual and social capital, where the end objective is to ensure sustainable profitability" (Knauer & Serafeim, 2014, p.58-59). Various other definitions of integrated thinking also exist. For example, the Prince of Wales' Accountability for Sustainability project defines it as *"embedding sustainability into decision-making and strategy"* (Nylund, 2017, p.26). The implication behind integrated thinking is to encourage company leadership to include sustainability goals within the firm's vision, strategy, risk management, conventional management accounting and reporting systems (Adams, 2015; Eccles et al., 2015). Integrated thinking thus, promotes linking the non-financial information to management systems.

While the value of integration is supported by existing literature, there is limited research directly connecting integration of sustainability reporting with sustainability performance. The *'how'* of achieving integration represents a distinct gap in the literature (Morioka & Carvalho, 2016; Maas et al., 2016), as well as a significant challenge for firms (Morioka & Carvalho, 2016). There is also limited research on the link between sustainability reporting, organizational change and internal performance improvement (Adams & Frost, 2008). Similarly, there is limited knowledge about how companies design or use management control systems to support environmental or sustainability strategies (Maas et. Al, 2016). According to Chung & Parker's in-depth empirical analysis, there is scant research on how a successful interplay between sustainability strategy, performance measurement, accounting, and control systems could be realized. (Chung & Parker, 2008, cited in Maas et. Al, 2016, p.243).

Even though scholars see potential in integrated sustainability reporting, there are barriers to overcome before integrated sustainability reporting becomes a common practice. The disconnect between sustainability reporting and sustainability strategy is evident in the lack of performance improvement-oriented focus in sustainability reporting. A 2020 study focused on 50 companies listed on Norway's stock exchange, revealed a *manifest contradiction* between stated sustainability goals and actual sustainability reporting (Jones et al., 2020, p.13). The study points out a tendency among Norwegian companies, where they neglect to include strategic targets in the reporting at all, revealing a feeble connection between a company's strategy and its sustainability report. Jones et al. (2020) further states that in most cases, a sustainability report is not fit as a strategic tool when companies try to navigate and plan for a sustainability transition (Jones et al., 2020, p.13).

Walter & Wan (2012) brings another pessimistic perspective: If company´s leadership believe that the only profitable way to employ collected sustainability data is for improving public relations, then companies are likely to design their sustainability reports specifically for greenwashing[7] their public image. Under such conditions, no sustainability-oriented link between reporting and sustainability improvement really exists (Walter & Wan, 2012, cited in, Danzman & Gertz, 2020), and the reporting process is not likely to influence the actual management of corporate sustainability in a meaningful way (Maas et al., 2016). From this perspective, as long as firms neither integrate nor intend to, sustainability reporting is indeed just a PR matter, detached from internal processes (Danzman & Gertz, 2020). Conversely, a more optimistic lens does reveal a complicated but nevertheless conceivable potential for sustainability reporting: Higgins et al. (2020) recognize the great potential, but also acknowledge that very few theoretically robust options have been developed to enable valuable sustainability reporting. They suggest that instead of focusing on *implementing* regulations that require sustainability reporting, a more useful focus would be on *what* is reported, and *how*. They state that reporting guidelines should provide more sophisticated options for defining the purpose and scope of reports (Higgins et al., 2020).

3.2. Theoretical framework: Linking sustainability reporting and sustainability performance

The Integrated Reporting (IR) framework suggests how sustainability reporting can be successfully integrated in an organization's internal systems and decision-making processes. A key component of the integrated reporting framework is the different kinds of capital that an organization can utilize to create value; financial[8], manufactured[9], intellectual[10], human[11], social and relationship[12] and natural capital[13] (IIRC, 2013, p.10-12). The framework focuses on merging the different types of capital with the financial, privileging integrated thinking and resulting in an accounting practice that merges non-financial data and financial data. Integrated

[7] Greenwashing is when a company conveys a false impression that the company or its products are more environmentally friendly than they really are. It represents the intersection of two firm-behaviours: Poor environmental performance combined with positive communication about environmental performance (Delmas & Burbano, 2011).

[8] The funds that the organization has received through financing, and which it can use when producing goods and services

[9] The physical objects that the organization can use when producing goods or services, e.g. buildings

[10] The patents and copyrights that the company has in its possession

[11] The competencies of the people within the organization

[12] Key stakeholder relationships, shared norms and values, and intangibles related to the organization's brand

[13] Environmental resources, both renewable and non-renewable

reporting is not just about the report itself but requires the development of new accounting and management processes, which again leads to organisational change (Adams, 2015). However, the framework mainly has its focus on what the content of the report should be, and less focus on *how* to organize the new accounting and management processes. I find another framework proposed by Maas et al. (2016) to carry greater potential for how to integrate the sustainability report in an enterprise. While IR framework focuses on integrating financial data with non-financial data in order to provide a cohesive overview of how the company creates value over time, Maas et al. focus on integrating the sustainability report into the decision-making processes of the organization (Maas et al., 2016).

As already mentioned, Maas et. al discuss and explore the potentiality that lies in the linkages *between* concepts that make up a system to accelerate the sustainability of an enterprise. The concepts include strategy, accounting, management control systems and reporting. Figure 1 below presents the actual framework, while for the purpose of this study, I shall use a simplified version of the framework (Figure 2). Both figures draw upon integrated thinking and show how the concepts can be linked together to create an ideal integrated system with the intention of systematically increasing a company's sustainability performance. To be clear, Maas et. al (2016) does not state that this infrastructure ought to be an isolated infrastructure, but rather to be implemented and merged with the already existing day-to-day activities and processes of the business (Maas et al., 2016).

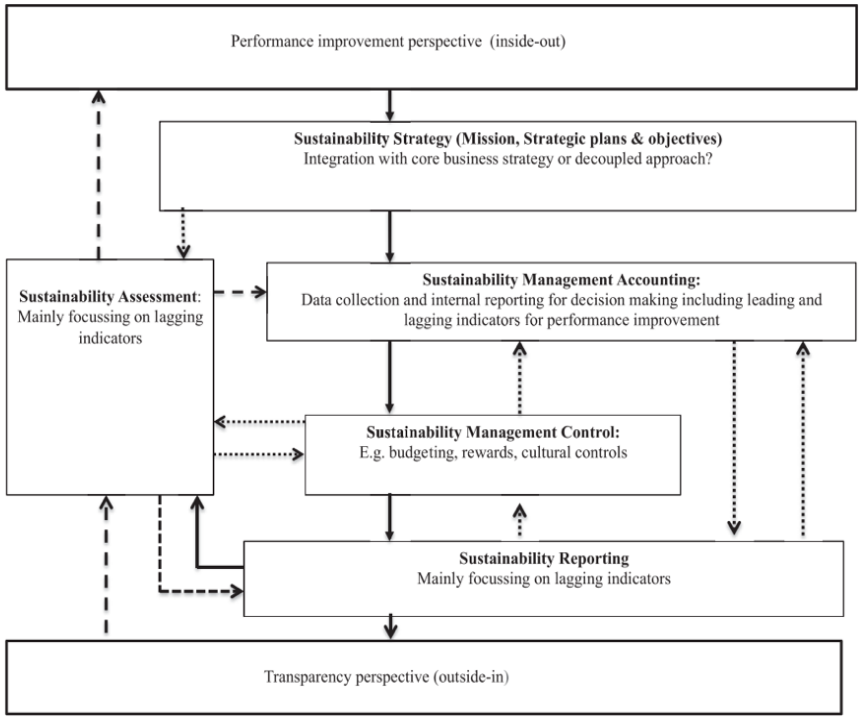

Figure 1: Theoretical framework: linking sustainability in an organisation, (SOURCE: Maas et al., 2016, p.244)

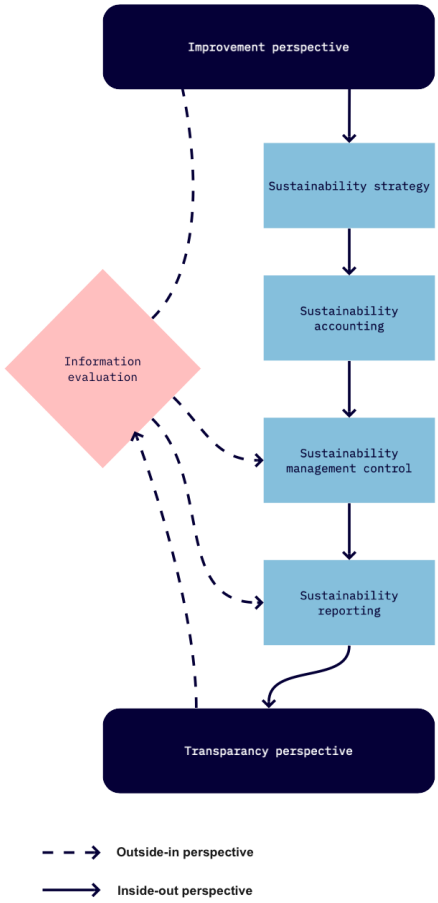

Figure 2: Simplified theoretical framework

The idea is to use the framework as the ideal framework of integration, and then compare this framework to the actual utilization and integration of non-financial information in five Norwegian SMEs. By this comparison I will highlight tendencies in the Norwegian SMEs as well as trying to identify needs and barriers to overcome in order to use the reporting as a sustainability improvement tool. In the following subsections I will define the concepts and explain the framework in detail.

The framework envisions concepts within a system, working in relation to each other. In the figures above (Figure 1 and 2) the concepts are presented as boxes and the relations and interconnection are represented as arrows/ lines. The concepts proposed by Maas et al. (2016) which will be relevant for this thesis, are sustainability strategy, sustainability accounting, management control systems and reporting. It is important to recognize that while Maas et al. consolidate these concepts in a systematic framework, these concepts are found haphazardly scattered in the literature. As the authors have observed in the literature review that led to their development of the theoretical framework, there was significant confusion relating to the individual concepts and their meanings. This confusion is likewise echoed in the conduction of this thesis: I found that sustainability reports encompass all, some, or none of the different concepts outlined below.

Sustainability strategy: A prioritised set of sustainability actions (Hardyment, 2015).
Sustainability accounting: Schaltegger & Burritt (2010) refers to the term 'sustainability management accounting' to the collection, analysis and communication processes of sustainability-related information. It includes any information that is needed for, or is related to, corporate sustainability management and decision-making, and is usually used for internal alignment and to improve performance. Accounting often uses a diverse set of multiple methods and measures (Schaltegger & Burritt, 2010, cited in Maas et al, 2016, p.241).
Sustainability management control systems: Abernethy & Brownell (1997) refers to management control systems as the design and use of controls to formally and informally ensure that the behaviour and decisions of employees are consistent with the organization's sustainability objectives and sustainability strategy (Abernethy & Brownell, 1997, cited in Maas et al, 2016, p.242).

Internal sustainability system: The systematic engagement and linkages of the concepts results in what I have defined as an organization's internal sustainability system.

The framework can be explained through two distinct perspectives: the 'outside-in' and the 'inside-out'. The dashed lines linking the different boxes in Figure 1 and 2 represent the outside-in or the transparency perspective. From the transparency perspective one can observe the dotted lines going to the information evaluation, and from the information evaluation peering into all boxes. This process represents the feedback from stakeholders. The transparency perspective represents a suggested conversation starter between company and stakeholder where the report acts as the springboard from which the company and its stakeholder starts engaging, evaluating and harvesting improvement-suggestions to make the report contain more relevant information. The stakeholder feedback restarts the loop, providing input to the strategy, management control systems and accounting. Schaltegger & Burritt (2010) refers to this feedback loop as a "two track" approach (Maas et al, 2016, p.243) and utilizes information from some or all of the four concepts, depending on the organization. Reporting practices thereby become relevant for the stakeholder as well as a tool used and rigged to increase the company's sustainability performance.

The choreography of the solid lines represents what Maas et. Al describes as the inside-out perspective, representing the improvement perspective of the internal sustainability system. The inside-out perspective ensures that an internal sustainability system is integrated in order to make the strategy, the accounting, the management control systems and the reporting work towards increasing the sustainability performance. One can observe how Maas et. al suggests that reporting is the last step in a series of process-steps; from strategy to accounting to management control systems to reporting. The last step in this choreography[14] is the report, which reports the achievements and gaps of the strategy. The arrow from sustainability reporting to transparency perspective, represents the external distribution of non-financial information, making the report become the external communication gate, where it is presented to its stakeholders (the outside-in perspective).

[14] The dotted lines in the framework represent missing highlighted linkages for further integration. The authors stress that there might be many additional fruitful linkages yet unidentified in the framework.

3.3. Business ethics and sustainability responsibility

For business ethics I use David & Crane´s (2016) definition; *"the study of business situations, activities, and decisions where issues of right and wrong are addressed"* (Crane & Matten, 2016, p.5). I find this theory relevant, because the business-ethical perspective will provide a theoretical frame, allowing me to discuss the ethical foundation for decision-making. It also facilitates analysis of how business-ethics affects the utilization and integration of the non-financial information in the enterprise. I especially find this approach relevant in light with Buller & McEvoy (2016), mentioned in the introduction. These authors focused on the role of the enterprise, arguing that companies should play an important role in enabling the transitions towards a sustainable global society. As business ethics reveals; the responsible of the business can be perceived very differently.

3.3.1. Shareholder theory

A tangential look at shareholder theory helps situate and contextualize the western outlook on business responsibility and ethics. *"The business of business is business,"* argued Friedman (1970), an abrasive critic of social responsibility. According to this view, which later became known as the shareholder theory (Crane & Matten, 2016, p.45), the foremost function of the business community is economic, where the company's main task is to maximise shareholders' profits while complying with law and regulations (Crane & Matten, 2016, p.46). Privileging the interests of shareholders in corporate decision-making, Friedman posits that businesses should only be run in the interests of their owners (Friedman, 1970). Accordingly, when business leaders donate to charity for example, they are essentially stealing money from shareholders. Consequently, social responsibility lies with the person, not with the corporation (Crane & Matten, 2016, p.47). The shareholder theory view thus sees society best served by a profit-maximizing institution that operates as unhindered as possible (Ihlen, 2011, p. 54-55). Friedman thus lays the foundation for a business ethics framework where the company is released from the definition of what is right and wrong, and hands over that domain to politicians and, subsequently, to the legislations that corporations fall under.

3.3.2. CSR in the modern enterprise

CSR as a business ethics has evolved from Friedman's perspective: A company's primary purpose for existence is to earn money for its shareholders. However, the CSR framework incorporates a corporation's social responsibility into the decision-making (Andersen, 2020). According to Crane & Matten (2016) the most widely accepted CSR model is the one presented by Carroll (1979), which views CSR as a multi-layered concept, differentiated into four

interrelated, prioritized aspects. Visualized in a pyramid, the first and second layers are, respectively, the economic and legal aspects, which are both *required* by society. Conversely, the third layer, the ethical aspect, is *expected* by society, while the final layer, philanthropic responsibility, is *desired* by society. As Carroll highlights, even if the third and fourth layers are voluntary, a company is only 'truly' socially responsible when all four levels of responsibility are met. Following Carroll, the particulars of each level of responsibility are temporally, spatially and culturally contingent, and depend on the expectations present in society in a particular time. (Crane & Matten, 2016, p.51).

3.3.3. Corporate citizenship

While shareholder theory releases the corporation from any responsibility to society, and privileges exclusively the profit-maximisation activities of corporations, the concept of corporate citizenship (CC) lies at the opposite end of the spectrum. CC focuses on the development of society as a whole and situates the company as a responsible player in the bigger picture (Crane & Matten, 2016, p.69-71). The company is seen as a participant in social development and is expected to take responsibility in creating a sustainable global society. Where Shareholder theory requires that laws uphold the morality of corporations, a globalized economy gives rise to multinational corporations, having and using the opportunity to relocate into more lenient regulatory regimes. Thus, the CC perspective becomes increasingly relevant as the ability to evade regulation undermines the integrity of shareholder theory as a viable business-ethic. The CC perspective is contextually relevant to the growing power of corporations. Essentially CC states that an expansion of corporate freedom comes with an expansion of corporate responsibility: CC considers the company responsible for fulfilling government responsibilities and functions where authorities fail to do so. This business ethics framework privileges the company's role as a moral citizen. Consequently, everyone who is affected by the company's activities must have intrinsic value. It would thus be against the ethical spirit of CC to attach a greater value to a shareholder than, for example, the civilian citizen (Crane & Matten, 2016, p.69-71). The corporation is thus no longer apolitical and must instead take on the role and responsibility of a traditional political actor and fulfil functions that safeguard the rights of the civilian citizen.

3.3.4. Motivations for corporate sustainability

Besides business ethics, incorporating sustainability in a given firm can be driven by a range of different motivations, creating different paths and strategies of internalizing and communicating sustainability. The main motivations and drivers for businesses are visualised

in the figure below (Figure 3). As visualized in the figure, I have split up the motivations into endogenous and exogenous motivations. Exogenous motivations are drivers that are based on external pressure, such as branding, communication and customer demand. Endogenous motivations are drivers that are based on internal pressure such as cost reduction, resource efficiency or improving their sustainability performance. Among the main motivations for addressing sustainability issues is to enhance company reputation and costumer demand (Nordea, 2020). Weber (2008) has likewise pointed to the positive relational effects generated by sustainability activities such as better corporation's image and reputation, and better employee motivation, retention and recruitment (Weber (2008), cited in Šontaitė-Petkevičienė, 2015, p.505). Polonsky & Jevons (2009) cite the positive impact on societal stakeholders and an improved connection with consumers (Šontaitė-Petkevičienė, 2015, p.505). Bhattacharya & Sen (2004) note how sustainability activities generate more immediate outcomes such as word-of-mouth, resilience to negative company information, and consumers' awareness, attitudes and attributions about why companies are engaging in sustainability (Šontaitė-Petkevičienė, 2015, p.505).

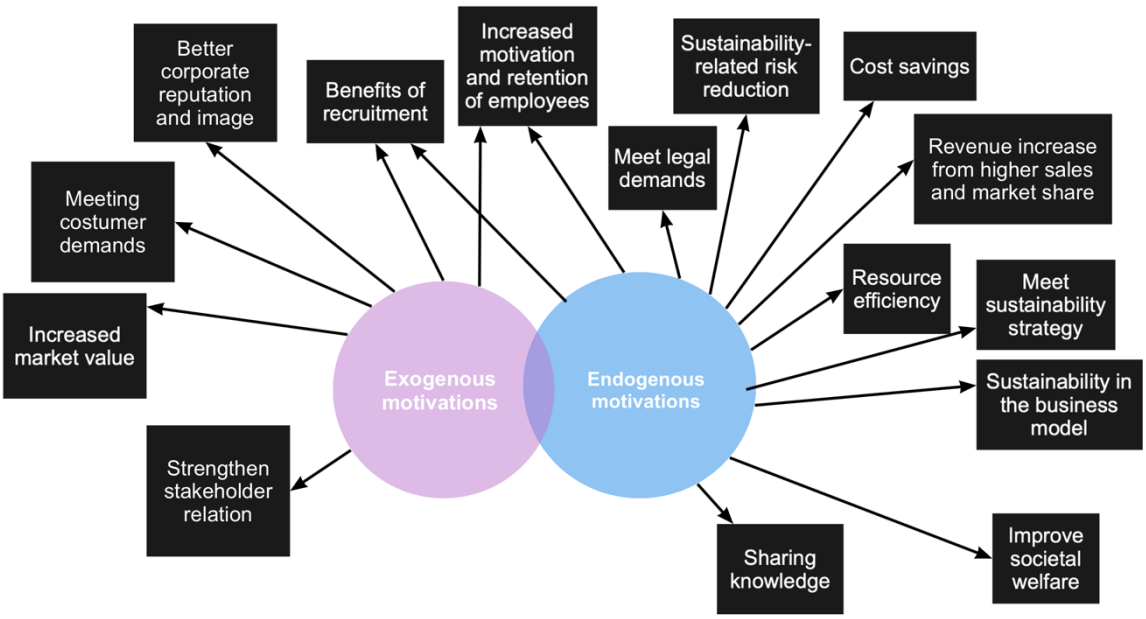

Figure 3: Motivations of sustainability, (Based upon Šontaitė-Petkevičienė, 2015, Nordea, 2020, Nylund, 2017).

The Shareholder theory and corporate citizenship are two contrasting approaches to interpret business ethics and decision-making. Between these lies a spectrum of perspectives potentially guiding sustainability responsibility in a corporate context (Crane & Matten, 2016).

Constrained only by law, it is up to the company itself to define the nature of responsibility it should assume in the context of sustainability. From the figure below (Figure 4), one can observe which motivations are being driven by the different business ethical views. The opaque green square categorizes the motivations being driven by shareholder theory, while the opaque yellow square categorizes motivations being driven by a CC and a CSR position. As illustrated in the figure, some of the motivations are driven by all the business ethical positions. The figure reveals how the shareholder theory is mostly driving the progress of sustainability in the business world today.

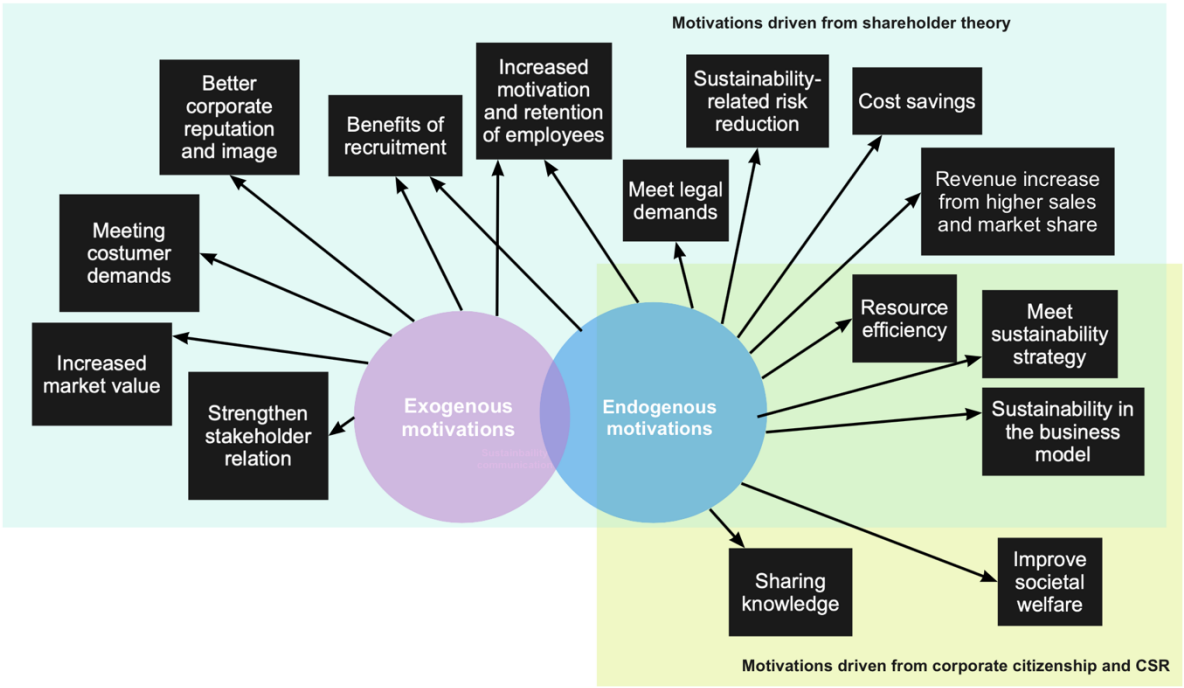

Figure 4: Business ethical position of sustainability-motivations

For the thesis, I do not want to take a normative position on which specific business ethic framework is the 'right' one. Rather, I will make use of some prevailing business ethics frameworks in order to nuance the understanding and highlight the complexity of what sustainability responsibility might contain, and how a specific case´s business ethical position affects SMEs ability to integrate the sustainability report towards actual increase in sustainability performance.

3.4. Research objective and questions

Based on the findings of the literature search, I have created a framework (Figure 5) presented below, illustrating an ideal integrated reporting practice. The blue bubble represents an internal sustainability system, where the non-financial information is successfully integrated to serve as

an improvement tool for increased sustainability performance (black box). The purple bubble represents the system in the company handling the external purposes of the non-financial information, like stakeholder relationship. The purple bubble makes sure that relevant sustainability information is given to stakeholder (grey box). The non-financial information serves both external and internal functions, and has thus, successfully established integrated thinking in the company. The figure also visualizes the focus area of this master thesis, represented by the opaque grey square.

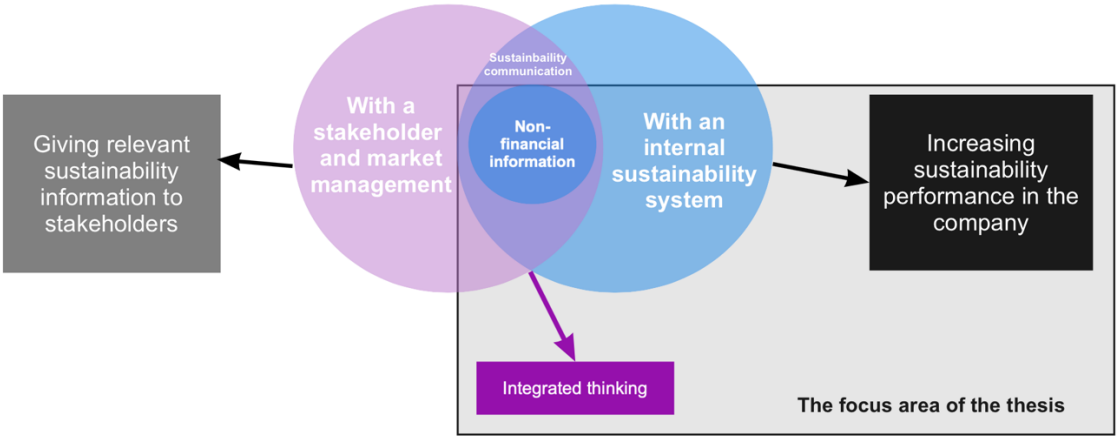

Figure 5: Ideal integrated reporting practice + focus area of the thesis

Consequently, the purpose of this thesis is to investigate how non-financial information is being utilized and integrated in some Norwegian SMEs towards sustainable profitability, and how business ethics, motivations and incentives shape its realization. I will investigate the similarities and the differences between the SMEs, trying to identify the barriers and possibilities for SMEs implementing a system similar to the one Maas et. al (2016) proposes. I endeavour to supplement existing literature by investigating the knowledge gap on integrated sustainability reporting by exploring the following research questions (RQs):

Main RQ1: *How are Norwegian SMEs integrating and utilizing the non-financial information from their sustainability reporting practice to increase the company's sustainability performance?*

Main RQ2: *...and how does the company's ethical stand shape the integration and utilization of the non-financial information?*

To best answer the main RQs I have made three supporting RQs, which I helps answering the main RQs. The supporting research questions are as following:

1) How is non-financial information integrated in these companies?

2*) How does Norwegian SMEs, already engaging in reporting on sustainability, define and measure sustainability?*

3) How does the business ethical foundation of the company affect the utilization and integration of the non-financial information towards increased sustainability performance?

4. Research design and methodology

In this chapter the choice of methodology is justified. This chapter will be presented as following; 1) the research strategies of the thesis, 2) research design, 3) the case selection-process and contextual challenges, 4) semi-structured interviews as primary source and my role as a researcher, 5) the choice of data analysis methodology. Thereafter, I will present sections about ethical considerations, reliability and validity.

4.1. Research strategy

According to Bell et. al (2016), the chosen research strategy refers to the overall approach the researcher takes on their research project. This includes the philosophical assumptions that inform the research design, the choice of research questions, and the methods one decides to use in order to try to answer them (Bell, Bryman & Harley, 2018, p.35). I have chosen a qualitative approach as the insights I am seeking is not written in numbers, but rather in the stories of the informants and their different perceptions of reality. Further, a qualitative approach is deeply in line with the chosen philosophical assumptions of this study, as it is mainly rigged for a constructivist[15] ontological[16] position and an interpretive[17] epistemological[18] position. This is true, as the study takes the view of social reality as a

[15] In a constructionist ontological position, one regards socially constructed entities, such as organizations, as entities which are made real by the actions and understandings of humans. It is their understanding forming the reality, not the humans living under the same external reality. For a constructionist, one gains knowledge in different ways to understand how different perspectives shape and understand the world (Bell et al., 2018, p.29-33).

[16] Ontological considerations are about the assumptions we make about what it means for something to exist (Bell et al., 2018, p.29-33).

[17] An interpretivistic position holds that reality is constituted by human action and meaning-making, rather than existing objectively and externally. Whereas the opposite position, positivism, is aiming at *explaining* human behaviour(Bell et al., 2018, p.30-33).

[18] Epistemological considerations are considerations about *how* the research should be conducted. A given ontological position – will imply a particular epistemological position. That position gives us an understanding of how one can gain knowledge of that reality (Bell et al., 2018, p.29-33).

constantly shifting property of individuals´ (Bell, Bryman & Harley, 2018, p.35). Further, the qualitative approach predominately emphasises the inductive[19] approach, which is also the path of this thesis (Bell, Bryman & Harley, 2018, p.35). Correspondingly, to answer the RQs of the planned thesis, I have chosen an inductive qualitative approach, with a constructivist ontological position and an interpretive epistemological position.

4.2. Research design

I will investigate five Norwegian SMEs and the study will have a comparative case study research design. Bell et. Al (2016) defines case studies as a research design in which several sources of evidence are involved, and a unique and relevant theme is explored in its real context. The choice of case study is applicable for this empirical research as the goal of the case study is to understand the selected cases in depth (Bell et al., 2018, p. 64). Furthermore, the design is particularly appropriate when one does not want to test a hypothesis but wants a detailed understanding of the context in which the phenomena are included (Jacobsen, 2005, p.19). If there are several cases one wants to compare, one can make a comparative case study, which will be the case for this study (Bell et al., 2018, p. 64). Further, it was important to develop a research design that allowed the collection of data from the same period of time, as the intention of the study is to shed light on the chosen topic in this specific period of time. In addition, the topic of sustainability reporting is highly relevant. Therefore, the multi-case study design seemed like a reasonable fit for the conduction of the study. Additionally, Ghauri & Grønhaug (2005) claim that a comparative case study-design is suitable when comparing and drawing conclusions by asking similar questions to several groups, which is what has been done in this empirical study (Ghauri & Grønhaug, 2005, p.116). It is advantageous to use case studies when it is difficult to quantify the data material (Ghauri & Grønhaug, 2005, p.114). This is the case for my study as the phenomenon at hand is not quantifiable, as I am going to investigate *how* the non-financial information is integrated and what values and motivations that shape the utilization.

4.3. Data collection

When collecting qualitative data, there are different methods of data collection one can choose. Interviews, direct observation and experiments are common methods for collecting primary data (Arbnor & Bjerke, 2009, p. 180). Interviews can take place in person, over the telephone

[19] Inductive methodology is based on empirical research and aims at developing general conclusions and theories (Bell et al., 2018, p.29-33).

or via the Internet (Bell et al., 2018). The data collection for this thesis is mainly based on semi-structured interviews with interviewees from five Norwegian SMEs. I considered semi-structured interviews to be the reasonable choice as the primary source of data, as the interview can help the researcher to place social and cultural aspects within a broader context (Ryen, 2002, p.97). This type of data collection is suitable when you want to bring out the individuals' understanding of, and thoughts about, a phenomenon, and when there are few units to be investigated (Jacobsen, 2005, p.142-143). A potential pitfall of a too structured interview is that it can lead to an almost mechanical interaction, where the interviewer does not catch or misunderstands a phenomenon which is important for the interviewee (Ryen, 2002, p.97). However, with too little structure, important phenomena may not be included in the interview guide, leading to it potentially not emerging during the interview either (Bell et al., 2018). As to how structured the interview was going to be, I used Miles and Huberman's approach. They believe that how structured an interview should be, simply depends on the study being conducted (Ryen, 2002, p.98). They argue that if the study is explorative, one might not rig the interview as very structured, as the interviewer does not know what direction the interview might go. However, if the study is «affirmative», it might be good to be more structured (Ryen, 2002, p.98). I was interested in how the sustainability report was integrated and utilized in the company and found an explorative approach suitable. However, I had several phenomena that were important to be included in the interview, limiting me from a completely explorative approach. Secondly, I wanted the interviews to be somewhat comparable, which limited the explorative approach further. I therefore formulated an interview guide[20] which allowed me to conduct interviews with a semi-structured format, starting the interview from an explorative perspective and steering the interview into an affirmative approach towards the end. When collecting my primary data, I would have liked to have conducted face-to-face interviews, as it makes it easier to create trust and personal contact (Jacobsen, 2005, p.143), but with covid-19, digital interviews were the only option.

Before the interview I made sure to make myself familiar with the setting in which the interviewee works and what she/he engages in,. and familiarized myself with the interviewees position, number of years involved in the company and power relation to sustainable decisions in the firm. This was useful information for contextualising the interviewee´s answers. During the interview, I tried my best to follow Ryan´s (2002) advice for good interview behaviour; 1)

[20] See appendix 2

intend to create an honest situation, 2) don't impress the interviewee with your own knowledge, 3) don't discuss with the interviewee, 4) come across as authentic, non-threatening, calm, supportive, attentive and interested. I made sure to keep the interview as structured as needed to make it comparable, but keeping an open mind, stretching my ears and following the interviewees conversation-path as to not miss out on important data (Ryen, 2002, p.117).

In addition, I have relied on supportive data from two sources; 1) the SMEs sustainability reports and 2) open interviews with interest groups and leading institutions in the field. For the supportive data collection, I had the following interview partners; The Confederation of Norwegian Enterprise (NHO), Innovation Norway, the Nordic Ecolabel (Svanemerket), Miljøfyrtårn and Regnskap Norge. The open interviews were informal and first and foremost used to contextualize and confirm the findings in my study. Additionally, the open interviews had a guiding function, as I called these interest groups when I needed help in conducting the study. For example, I used open interviews to *find* some of the cases investigated in this study.

4.4. Choice of industry and cases

4.4.1. Finding the cases

I targeted the GRI database, to find relevant Norwegian SMEs to investigate. The GRI Sustainability Disclosure Database brings exposure for sustainability reports published from 1999 until present day (Global Reporting Initiative, 2016). For the process of selecting which SMEs to investigate from the archive, I formulated some reasonable criteria to pick the right candidates:

1) Norwegian: The organisation should be registered in Norway and having most of its sustainability decisions made by Norwegian staff
2) Small or medium sized enterprise: The organisation picked were to have between 0 – 100 employees
3) Sustainability report: The organisation should have generated at least one sustainability report between 2015 – 2020.

A filtered search generated a finding of 16 organisations. Of these candidates the industries varied a lot; energy, law, publishing, furniture production, media and pharmaceutics. After reaching out, three candidates wished to participate. After interviewing these three partners, patterns did start to emerge, however, there was still a need to gather more data.

However, as far as my knowledge goes, the GRI database is the only archive for sustainability reports. After consolidating with Norwegian experts in the field of sustainability reporting and leading institutions dealing with SMEs in Norway[21], they could confirm that finding this sample group was to the verge of impossible. They did inform that that eco-labels could be a suitable substitute. A process of generating a sustainability report and getting certified by an eco-label, both requires a process of gathering non-financial data. The distinct difference is that in order to become eco-label certified, the business must meet certain criterias, while the content in a sustainability report is decided by the business making the report. I chose to focus on some of the leading cross-industry eco-labels in Norway; Svanemerket and Miljøfyrtårn (Miljøfyrtårn, n.d.). Svanemerket is certifying based on the product, and Miljøfyrtårn is certifying based on the organisation. To find more interview partners, I therefore added a fourth criteria for the selection; *4) currently certified with Miljøfyrtårn or Svanemerket: As a substitute for the sustainability report*

As a backdrop when picking new informants, was the aspect of external validity. External validity is defined as the degree of which findings can be generalized across social settings. This is rather challenging in qualitative research as the sample groups tend to be relatively small (Bell et al., 2018). I wanted to target Nordic SMEs as a bundle of actors, unpacking the topic with the representation of several voices, therefore I did not want to limit the research with picking interview partners from only one industry. I wanted the variation of answers from the different SMEs to lay the foundation of the analysis. Yet it is dangerous to accept homogeneity of SMEs (Williams & Schaefer, 2013). I have tried to ensure the external validity by adding a fifth criteria when selecting new interview partners: *5) External validity: in the sample group there should be at least three organisations operating in the same industry as to spark the analysis with the possibility to compare data between and across industries.*

[21] The leading institutions dealing with SMEs and research experts on the field contacted for this study; The Confederation of Norwegian Enterprise (NHO), Innovasjon Norge, Forskningsrådet, The Governance Group and CICERO

4.4.2. Presentation of the cases

To first familiarize the reader with the organizations studied, a brief introduction to Flokk, Vestre, Merkur Grafisk, Grande Fabrikker and Photocure is given in the table below. The table is followed by a justification on the use of the chosen organizations as cases. As one can observe, the industries being investigated are publishing, pharmaceutics and furniture production. I will not elaborate further on the industries, as they surprisingly have had minimal implications on the findings. However, I acknowledge the difference between and inside industries for each case.

Table 2: Overview of the cases investigated

Name of organisation	Sustainability report	GRI Archive	Miljøfyrtårn	Svanemerket	Size	Employees	Industry
Flokk	x	x		x	Large	282	Funiture production
Vestre	x			x	Medium	55	Funiture production
Merkur Grafisk	x	x	x	x	Small	47	Publisher
Grande Fabrikker			x	x	Small	33	Funiture production
Photocure	x	x			Meduim	95	Pharmaceutics

Flokk: in 2007 three Scandinavian brands came together; the Norwegian brand HÅG, Swedish RH and Danish RBM. Flokk has 282 employees in Norway and around 1000 altogether. Flokk therefore does not fulfil the criterias of being a SME. I have chosen to incorporate Flokk as a case, as HÅG has been leading on sustainability long before they merged and exceeded 100 employees (Norwegian definition of a SME). After the interview I understood that they are now trying to copy what they did in HÅG and incorporate this internal sustainability system on a bigger scale. Consequently, they are now largely trying to make a SME-developed infrastructure work for a bigger company; I therefore found them to be relevant for this study. Flokk was the first in Norway to be Svanemerket-certified and hired their first fulltime sustainability manager in the firm in 1990. Already, in 1993 they incorporated circular design principles, and in 1995 they launched their first chair made of recyclable plastic. Flokk are in front of the frontrunners in an industry that is also frontrunning compared to other industries.

Vestre AS: Vestre AS is a Norwegian manufacturer and has produced urban furniture for over 70 years. Today they are 55 employees but are growing rapidly and have ambitions to do so the coming years. An expert in Svanemerket recommended Vestre as a plausible case for this study. Today, they have sustainability built into their core business model and strategy. As a part of their sustainability strategy they aim at being recognized as the world's most sustainable furniture company.

Merkur Grafisk: Merkur Grafisk has been an Oslo-based publisher since 1923. The largest part of their business consists of printing, however, they do offer digital services as well. The past year, the daily manager has pivoted the business towards a radical sustainability change, making the organisation a self-proclaimed frontrunner within its industry. They don´t have a sustainability reporting practice, but they have made one previously, which they published in the GRI-archive. Hence, this company was chosen from the GRI archive.

Photocure: Photocure is a pharmaceutical company specializing in medicine for patients suffering from bladder cancer. They were founded in Oslo in 1997 where their headquarters are to this day. With the making of their first sustainability report in 2020, they have incrementally started to measure, document and formulate targets and plans towards reaching the targets set as a result of making the sustainability report. Photocure was found through the GRI-Archive.

Grande Fabrikker: Grande Fabrikker has produced working environment furniture since 1954. They have 33 employees making up the smallest case investigated in this study. They were recommended personally by the expert in Svanemerket, as Grande Fabrikker had been in their system for long, and the expert claimed that Grande Fabrikker was a frontrunner in its industry. Grande Fabrikker made their first sustainability report in 1997 but has no practice of reporting today. They were also the first in their municipality to get a Miljøfyrtårn certificate back in 2009.

4.4.3. Data collected

When choosing interviewees within the organisations, I contacted individuals who worked closely with sustainability in the company. I could have obtained other results if I had interviewed non-professionals, so I decided to supplement with interviews of non-professionals within the organisation for one of the cases investigated. I chose to base the research on interviews with a total of 6 semi-structured interviews. Given the timeframe and scope of the study, I believe this is an appropriate number of informants.

Flokk: One interview with the vice president of sustainability and the sustainability reports from 2020, 2018 and 2017.

Vestre: One interview with the president of sustainability and the sustainability report from 2020.

Merkur Grafisk: Two interviews and a digital visit to their production cite. The interviewees were respectively the daily manager, which was also assigned the role of the sustainability manager, and a production department manager.

Grande Fabrikker: One interview with the daily manager, and an open interview with Svanemerket evaluating Grande Fabrikker.

Photocure: One interview with their quality director and their sustainability report from 2020.

4.5. Data analysis of the interviews

The purpose of data analysis is to reduce the information so that the most central findings to answer the RQs becomes evident. It is therefore necessary to systematize and categorize primary data before one can interpret it (Jacobsen, 2005, p.186). I used a coding software called Quirkos, to be able to boil down the data generated, and analyse it in order to answer the RQs. Quirkos allows you to code the data in whatever way suiting the researcher, by dragging and dropping transcribed text into clusters of concepts. To be able to use Quirkos, I needed transcripts of all the interviews. The interviews were, thus, audio-recorded and transcribed. Even though I transcribed and audio-recorded the interviews I also kept memos, writing down impressions from the interview shortly after the interview, so that reflections were written down while they were still fresh in the memory (Jacobsen, 2005, p.188). As I was coding the data I was searching for recurrences of sequences of coded text within and across cases, and I was searching for links between different codes. I did this to make the data more manageable, as opposed to just listen and relisten to the recordings. After a while of coding, different categories materialized. I started off with a blank space, having no categories or concepts to begin with, just letting the material inform me, rather than the other way around. This corresponds well with the ontological and epistemological position of the study (Quirkos, 2019). I started using Quirkos before I was finished with all the interviews, as the categories materialized, the conduction of interviews became sharper. The analysis of the data therefore informed the data collection process in an iterative way. After the first full draft of the analysis was completed, I went through the transcripts for the second time, to ensure that there was no interesting data I had ignored in the first phase of the analysis. I did this to ensure great confidence in the findings of the study. After the second round of analysing, I found secondary data from the sustainability reports and conducted open interviews with the institutes and institutions, with the intention of being able to substantiate or find contradictions to the primary data. I believe this gives greater confidence in the findings of the study.

4.6. Ethical considerations

There are a number of ethical and moral considerations with the collection of qualitative data, and the presentation of the findings derived from data collection. Ethics of business research revolve around how one should treat the people one investigates, and considerations around

possible unethical activities which one as a researcher should not engage in. This way the ethics in the context of a research study refers to how appropriate the investigator's behaviour is, in relation to the informants' rights (Bell et al., 2018, p. 110). There is no clear line between what is ethical and unethical, anyhow, the need to consider ethical issues apply to all types of business research (Bell et al., 2018, p. 110). Diener and Crandall (1978) broke down ethical consideration into four main areas; 1) whether there is harm to participants, 2) whether there is lack of informed consent, 3) whether there is an invasion of privacy, 4) whether deception is involved (Bell et al., 2018, p. 114). I have formulated a protocol to ensure that ethical principles were upheld in the study based on the four ethical principles of Deiner and Crandall (1978). The protocol is as following; the informants gave their informed consent to participate in advance in form of a contract of consent. In the contract there was sufficient information about what they gave their consent to, based on the principles of informed consent. They were asked to give their consent to having the interview recorded and transcribed, and they were asked for consent to use the name of the organisation. Their personal name was anonymized. The transcripts and the recordings will be deleted when the thesis is submitted. I also gave the participants the possibility to read through an almost finished version of thesis and edit if they felt misunderstood or wrongfully quoted. Some edits have been made, based on the informants feedback. In addition, I have the ethical approval required for my research project through Norsk senter for forskingsdata (NSD).

4.7. Reliability and validity

Reliability and validity are important criteria in establishing and assessing the quality of business research, however, these aspects carry connotations of measurement (Bell et al., 2018, p. 362). Lincoln and Guba (1985) and Guba and Lincoln (1994) propose criterias for assessing a qualitative research, equivalent with validity and reliability in a quantitative research, that they believe stands in line with a constructivist ontological position and an interpretivist epistemological position. I intend to follow the criterias of Lincoln & Guba (1985, 1994) to ensure the reliability and validity of this thesis (Bell et al., 2018, p.362-365).

Credibility: which parallels with internal validity; ensures that the research is carried out according to the canons of good practice and reaching out to informants for corroboration to ensure that the researcher has correctly understood. I chose to tackle this aspect by respondent validation, of which I reached out to the informants and asked for feedback and validation of my findings. Some of the informants reshaped the final findings, through this method. I also

did this by triangulation; including multiple observers, theoretical perspectives, sources of data and methodologies (Bell et al., 2018, p.363-364).

Transferability: which parallels external validity; provide rich accounts of detail of a culture, so as others can make judgements about the possible transferability of findings (Bell et al., 2018, p.365). I ensured external validity by comparing my findings with similar studies, which are conducted with other methods. I further tried to include different industries in the study as to try to generate findings that would be applicable in more than one industry. I also provided rich accounts of detail of the organisations I have observed, as to provide information for others to judge the possible transferability of my findings.

Dependability: which parallels reliability; I was planning on including an auditing approach that ensured complete records for all phases of the research process in an accessible manner. This would allow others to understand how far proper procedures have been followed, and ensures the dependability of the project (Bell et al., 2018, p.365). To be able to present this in an understandable manner, it would acquire more time and resources than available for the conduction of this thesis. Further, it would be time consuming for the reader. Therefore, the aspect of dependability has been limited followed up.

Confirmability: As I was the only researcher in this project, I ensured that I did not have manifestly allowed personal values and theoretical inclinations to sway the conduct of the research and findings deriving from it, by engaging peers in the process of analysing data with the intention of increasing the confirmability of the thesis. However, this might have happened during the interviews as I was alone during all the interviews as well. This weakens the confirmability of the thesis (Bell et al., 2018, p.365).

5. Results

This chapter presents the findings that ultimately will try to answer the posed research questions. For the sake of trustworthiness, the findings are described with as much detail as possible. First, I will give detailed descriptions of findings from each case, followed by a section where I compare the cases and point out common patterns as well as fleshing out their main differences. The aspect of sustainability performance will be the omnipresent backdrop of the analysis.

Before we get started, I like to highlight the following; my findings cannot be applied for all Norwegian SMEs. There are few SMEs investigated and the companies selected were all engaging in sustainability. Thus, the SMEs investigated is not a representative selection

covering “all Norwegian SMEs”. Nevertheless, the tendencies and findings of this study might point in direction of tendencies that can be present in more Norwegian SMEs than the ones investigated in this study.

5.1. Description of each case

I have used the research questions and the categories arising from the coding to form three aspects of investigation; 1) Measuring and documenting sustainability (RQ 1) , 2) Internal sustainability system (RQ 2), 3) business ethical position, motivations and sustainability awareness (RQ 3).

5.1.1. Measuring and documenting sustainability (RQ 1)

Flokk

Flokk is by far the company measuring the most accurate and is also allocating the most resources in order to do so. They concentrate on measurables that concern energy consumption, waste and their carbon footprint. For long they have been concentrating on absolute values but has recently begun to add intensity factors[22] to the measurements in order to be able to make the non-financial information comparable and understandable for external purposes. In order to gather the overall picture of their current sustainability situation, they use a patchwork of different partners, and they manually gather the non-financial data every time the generation of the report is coming up. They pay consultants (CEMAsys) to measure their CO^2-equivalents in a sustainability accounting system, continuously uncovering what operations and material in their business with the biggest CO^2–equivalent impact. The measures generated from CEMASys[23] is based on standards from the database of CEMAsys, which tailors the precise emission of each activity of the company. They combine CEMAsys with Environmental Product Declarations (EPDs)[24] on each of their products. Combining a Life Cycle Assessment (LCA)[25] and CEMAsys measurements gives as concrete a measurement as today's technology

[22] Flokk defines intensity factors as measuring in relation to something, for instance the emission of CO2-equivalents of one product, instead of the aggregated emission of the whole production.

[23] CemaSys offer data gathering on non-financial information on a company's climate footprint with advanced technology, aiming at measuring the company's precise emission (CEMAsys, n.d.)

[24] An Environmental Product Declaration (EPD) is an independently verified and registered document that communicates transparent and comparable information about the life-cycle environmental impact of products (The International EPD® System, n.d.)(The International EPD® System, n.d.)(The International EPD® System, n.d.)(The International EPD® System, n.d.)(The International EPD® System, n.d.)(The International EPD® System, n.d.)

[25] Life cycle assessment is a cradle-to-grave or cradle-to-cradle analysis technique to assess environmental impacts associated with all the stages of a product's life, which is from raw material extraction through materials processing, manufacture, distribution, and use (Sciencedirect, n.d.)

allows. Further, they utilize a bundle of certificates and frameworks; ISO 14000, ISO 50001, ISO 90000, Svanemerket and GRI-standards to mention a few. The interviewee expressed that getting the accurate picture of their sustainability situation was their ambition, however, they found it challenging and complex. They highlighted getting the accurate information from their subcontractor as extra challenging. The vice president of sustainability placed the company on a 5 on measuring, where the scale was ranging between 1-6, 6 being the best.

Vestre AS

Vestre AS has conducted several materiality[26] analyses and is continuously improving their materiality, and they pay consultants (CEMAsys) to measure their CO^2-equivalent footprint. This system has for instance allowed them to identify the use of steel to have the biggest CO^2-equivalent impact. The interviewee has had the following approach to decrease the impact of the steel in the company: *«We work very systematically with a scientific approach in order to understand what we can replace it with, and we now have an application with Science Based Target to verify that these assumptions we have assumed are actually feasible»*. Further, they have started the merge between the non-financial and financial metrics in their financial accounting. Other indicators being measured is waste and energy. They will also start with EPDs for all their products. They are continuously working on incorporating more metrics. They want to incorporate other measurements as biodiversity and the social aspect as well. However, they call for better metrics and indicators to measure other relevant aspects of sustainability, and to cover all aspects of what the conglomerate "sustainability" entails.

Merkur Grafisk

The criterias of the eco-label certificates have been the company's source to identify their materiality. Which eco-labels chosen to become certified from, has been a process influenced by chance, as the daily manager has come across some certificates he sees fitting for the company, and thereby choosing to get a certificate. This method has led to two labels and the operation of one tool; Miljørfyrtårn, Svanemerket and Climate Calc. These certificates and tools have had massive influence on how they measure sustainability. Today, there are several platforms and partners measuring non-financial data in the company. They use Stena[27] who calculates their waste and degree of recycling, they use Miljøfyrtårn´s climate calculator,

[26] GRI defines materiality as following*: "material aspects as those that reflect the significant economic, environmental and social company's impacts or significantly influence stakeholders' assessments and decisions"* (GRI, 2013, cited in Calabrese et al., 2017)

[27] Stena Recycling is a waste management firm offering their customers non-financial information of the waste they gather

calculating their GHG-emissions and Climate Calc[28] calculating the emission per delivery to a customer. In short, they measure some aspects of their sustainability situation, however, the different information sources are fragmented, and it is impossible to have a day-to-day overview. Further, the measures generated from the climate calculator [29] is based on standards from the general database of Miljøfyrtårn and will thereby give a simplified measure of a complicated reality, compared to Vestre and Flokk´s methods. Moreover, the process of defining materiality and measuring sustainability in Merkur Grafisk is far from being as resource demanding and thorough as Vestre and Flokk. Merkur Grafisk also shows awareness of the merge between financial and non-financial accounting; *"For me in terms of accounting, it is clear that non-financial accounting is at least as important as financial accounting. It is evident that these two are more and more connected in the future".* However, he states that he has only just begun the process of this merge, and still has a long way to go. Like Vestre and Flokk, Merkur Grafisk also expresses the need to be able to measure their sustainable impact by more indicators and metrics than what they have today and find available.

Grande Fabrikker

It's the criterias of the eco-labels that decide what indicators and metrics are used when measuring the sustainability in the company. Correspondingly, it is the eco-labels that are decisive for the company's definition of their materiality, as they document and measure only what the certificates demand of them. As the other cases express their need for better and more uniform metrics and indicators to document and measure sustainability, they don't see the need for this as they have no plan of measuring their sustainability exceeding what the certificates demand of them. They also express that meeting the requirements of the certificates in measurement and documentation is resource demanding, but relatively straight forward. However, some of the sustainability initiatives they have in fact integrated in their business, is never communicated to their customer, but rather invisibly and normatively embedded in the infrastructure of the company without the company labelling it as sustainability; *"When we tried to get Svanemerket for the first time, we experienced that we already did everything according to the criterias. The documentation demanded to get the label was, however, too resource demanding to gather, so we skipped this certification the first time."* Not labelling the initiatives and activities as "sustainability" seems to be true for more reasons, for instance they

[28] Climate Calc delivers non-financial information on the climate impact of a graphic product in a life cycle perspective.

[29] Miljøfyrtårn bases its climate calculator on the classification of the Greenhouse Gas Protocol. Miljøfyrtårn recommends treating the result with care, as the calculator provides a simplifiedpicture of a complicated reality (Miljøfyrtårn, 2016).

are the only case investigated being energy neutral, as they have installed an incineration plant, burning all the wood waste from their production. This is not measured, labelled or communicated as a sustainability initiative.

Photocure

In relation to making the report, the company conducted what the interviewee describes as a thorough and complicated materiality analysis, where stakeholders and employees were actively a part of the process. Based on the materiality of the company, the information for the report was gathered. Despite this, there were no actual numbers displayed in the report, revealing that measuring sustainability is not yet a practice for the firm. *"We work to find relevant, measurable and non-measurable indicators and metrics, but I find it difficult to measure sustainability in general. This is where sustainability becomes so vast it becomes almost completely intangible."* The interviewee calls for a set of uniform indicators and metrics, to make sustainability tangible and comparable; *"Otherwise we compare something that cannot really be compared, because everyone reports differently according to what suits them."*

5.1.2. Internal sustainability system (RQ 2)

In the figure below (Figure 6) all the internal sustainability systems of the cases are visualized. The building-blocks from Maas et al´s., (2016) framework has been used to visualize the internal sustainability systems of each case investigated. In the figure we can spot three types of arrows; dashed, solid and dotted. The dashed arrows represent the outside-in perspective, the solid arrows represent the inside-out perspective and the dotted arrows represents the linkages that are planned or in the making, but not yet established. Boxes represents sustainability concepts. The green boxes represent non-integrated sustainability concepts, while the grey boxes represent the concepts in the making. The blue boxes represent concepts that are established and well-integrated into the business. The pink diamond represents a feedback system, evaluating the report as well as the internal system. In the top and in the bottom, the improvement and transparency perspective is represented, like the theoretical framework of Maas et al. (2016). With these building blocks, the five cases internal sustainability system is visualized in figure 6.

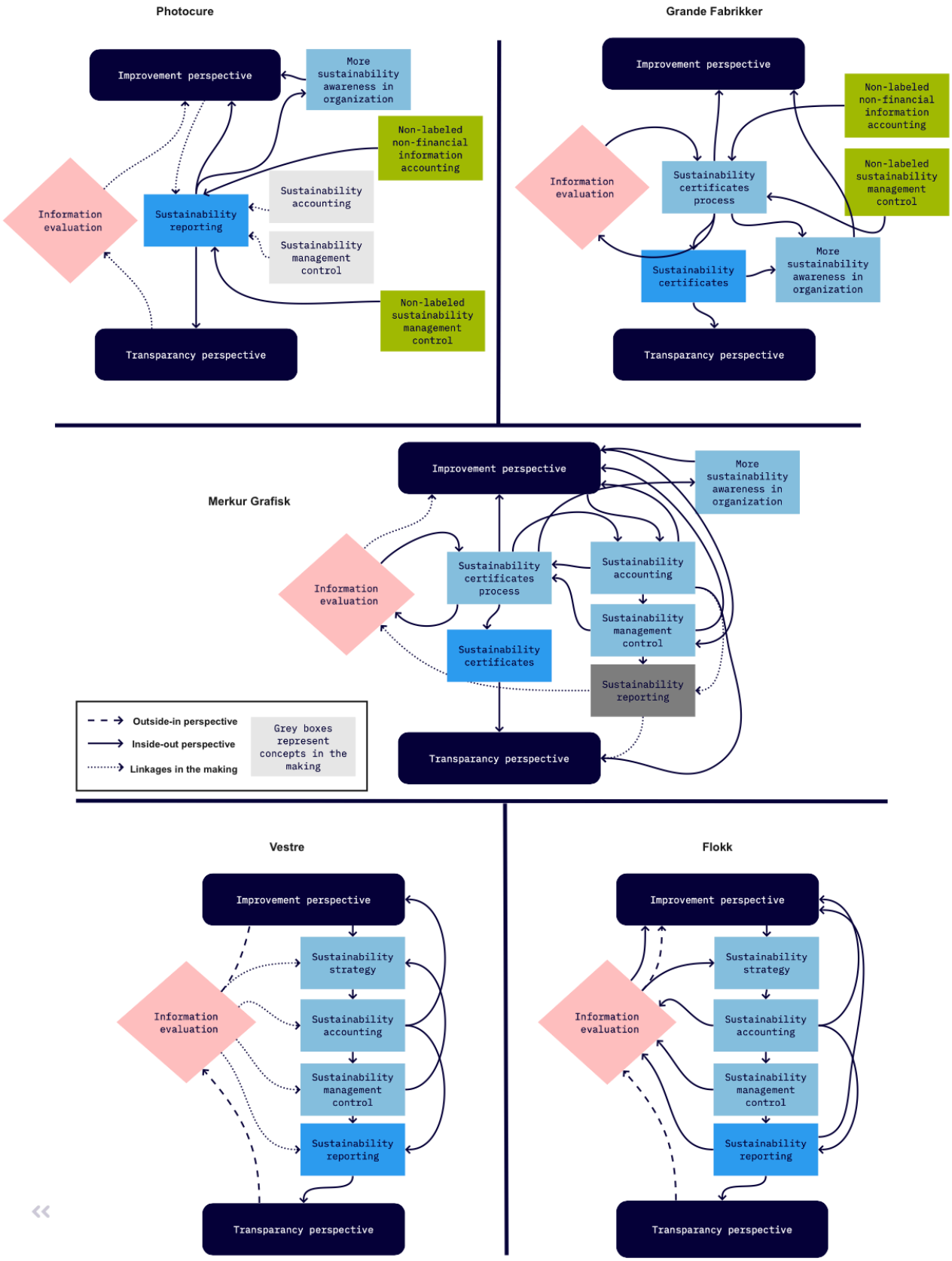

Figure 6: The internal sustainability systems´ of the five cases investigated

Flokk

Flokk has a well-designed internal sustainability system developed over the course of more than forty years. They have a sustainability strategy, with different sustainability targets categories. They have ten-year targets, and yearly targets to reach in order to reach the ten-year target. They also monitor the yearly targets every quarter. To be able to monitor the progress of the targets every quarter, they have a running sustainability accounting system, which they aim at streamlining heavily during the next two years. Flokk is organized by a matrix organisational structure, where the sustainability department is working as a supportive function. Further, they have developed management control systems making sure that sustainability is implemented in all parts of the organisation. Once a year they gather *all* the non-financial information from different platforms and subcontractors to create a sustainability report, which is also integrated with the financial report. They make different reports, as the reports are sent to different certificate-systems with different criterias. All the different reports made, is in the end gathered and released as one main sustainability report, which is the same internally as externally. The sustainability report is distributed at their webpage and is heavily used in sales situations. They also have a stakeholder-dialogue, gathering feedback from their stakeholders, which again is used to improve the information distributed. It is also distributed internally, and specifically employees having management responsibilities is encouraged to read the report. However, the interviewee states that the report is long and thorough, and they compensate complexity of the report by distributing more graspable information through newsletters and by displaying important non-financial information on boards in the offices and on the production sites. The interviewee is also stressing how important the report is when re-evaluating the strategy, targets and management control systems for the next year. He says that the report is crucial to be able to map the current state, and thereby claims that the report is a crucial management tool for the company in order to rig the company for increased sustainability performance, as the report also becomes an evaluation of their current state, and can help indicate where the organisation needs to make changes to improve. In the visualization above (Figure 6), one can see Flokk´s internal sustainability system.

Vestre

Vestre has a clear, but dynamic, sustainability strategy, that feeds into what non-financial information the company collects and analyses (Figure 6). This again feeds into sustainability management control systems that ensures that the behaviour and decisions of employees are consistent with the organization's objectives and strategies. This is partly done by incorporating

courses, protocols and using the sustainability report as an internal encyclopaedia. The sustainability aspect of the operations is then measured and reported through a sustainability report. It is the same report that is distributed in internal and external channels. The sustainability report is improved through an established stakeholder-dialogue, which again strengthens the transparency aspect. Vestre has a non-financial information disclosure practice which is highly integrated into sustainability improvement processes in the company. It has linkages to sustainability strategy, is organized to serve as a sustainability accounting system and is used into sustainability management control systems with the intention and focus of measuring and improving the sustainability performance in the company. Once a year they gather the information in a sustainability report and distribute this internally and externally. They explicitly mention transparency as a guiding focus when working with their sustainability report; *"Full transparency! In recent years, we have worked intensely to map our footprint. We are working to map absolutely everything, and be as transparent as possible, consequently it looks like our CO_2- equivalent footprint has been growing significantly since 2019."* When they are asked to place themselves on a scale from 1 to 6, revealing how good they perceive the linkage of their report towards internal processes to increase sustainability performance they state the following: *«I would give us a 6. Totally humble there, of course. It's not like we report to report. We really want to avoid that.*

Merkur Grafisk

For Merkur Grafisk the process of the certificates has led to radical changes and improvement internally. The company does not yet have an explicit sustainability strategy, and no specific targets, but management control systems have been implemented by incorporating courses and protocols for the employees to pursue and anchor the sustainability initiatives in the business. There are initiatives in operation that have not been detained and labelled as sustainability, and they are in process of labelling these as sustainability, and thus, also try to measure them. The daily manager expresses the infrastructure like this: *"I have been shopping certificates and tools, and through the patchwork of different tools and schemes that are out there, I build the company more and more sustainable".* Their first sustainability report will be released in March 2021, and the daily manager has clear intentions for the function of the report. When they are asked to place themselves on a scale from 1 to 6, revealing how good they perceive the linkage of their non-financial information towards increased sustainability performance, the interviewee states the following: *"2 or 3. I know I need experience and time, and I know it can be better than it is today. First, I want to include an accountant for this job, the board and*

management team will also be included. After this is done, I will know more about how good we are. The aim is a 6 and to get there, I need to make the links more visible. Simply getting better at most things". Merkur Grafisk gathers non-financial information and is slowly building an infrastructure allowing them to know their sustainability situation. However, they lack clear targets, and the gathering of non-financial data therefore comes across as lacking focus towards increasing sustainability performance.

Grande Fabrikker

In Grande Fabrikker it is the process of getting certified that is leading to the gathering of non-financial information, leading to the retrieving and integration of non-financial information largely being concentrated around the certification process. Let´s take their management control systems as an example; they adjust the "bare minimum" of their operations to meet the criteria's of the eco-label. When this adjustment is done, they are pleased. This is what forms the management control systems in the company today. Furthermore, the information generated due to the process of the certifications, and the possible discoveries of possible interest, are not further distributed internally. Moreover, the non-financial information is not gathered in a sustainability report and are not distributed externally. They find that the eco-label itself is as good external communication as a sustainability report. They claim that customer need is their biggest driver for reporting on sustainability, however they don´t have a stakeholder-dialogue or any other platform of which they seek feedback from their stakeholders. Hopefully, the retrieving and documentation they do is *giving* more than it *takes*, as the interviewee expresses that this process is very resource demanding – and after all, they didn't flicker much in order to fulfil the criterias of the certification. With the installation of the incineration plant and the little Grande Fabrikker needed to change in their routines to fulfil the eco-label-criterias, Grande Fabrikker show that they have sustainability ingrained and integrated in the culture and backbone of the company. I am therefore wondering if the retrieving and documentation of the non-financial data in fact is so resource demanding that it could have been used more effectively somewhere else to increase sustainability performance in the company.

Photocure

The Photocure case is a curious case to include, as it has just begun with sustainability reporting. I was curious how a "first meeting" with sustainability looked like, and if the first meeting dating back in the near past, gave repercussions to the internal system already. For Photocure, the sustainability report kickstarted the sustainability improvement initiatives in the firm. Being their first year, the report has no internal sustainability system to be integrated into. For the

process of generating the sustainability report, they hired two consultants being experts in the GRI-framework. The quality manager expressed in the interview that by following the GRI-standards the company discovered and identified gaps during the making of the sustainability report; *"Many of the gaps identified, I didn't even know was relating to sustainability,"* the quality manager at Photocure said. Today the identified gaps are slowly being internalized in the firm, beginning to form the contour of a management control system. Further, they have already decided to continue sustainability reporting, and in the reporting, they stated targets for 2021, forming their first sustainability progress plan. Their aim is to transfer the targets into operations, making them a part of the day-to-day business. They point out two main challenges in order to succeed in this; 1) employee anchoring, 2) making sustainability graspable. If this succeeds, there will be some actual integration of the report towards sustainability performance increase. As of today, they are in an early phase, where it is too early to know if they will succeed. However, what *is* evident is that the reporting itself kickstarted a sustainability process, increasing the awareness of the group making it, the management group and the board. If this awareness will dribble down and create actual change towards increased sustainability performance is too early to say. The figure above (Figure 6) represents a visualization of Photocure´s current internal sustainability system. The centre of the infrastructure is the reporting, being the process to possibly foster a new sustainability strategy accounting system and management control systems. The sustainability reporting process has led to improvement for the company and is also serving the function as a communication-platform externally. The report has also been distributed internally, but did not receive a lot of applause, maybe one reason being that the report chiefly was made for external eyes.

5.1.3. Business ethical foundation and sustainability awareness

Flokk

Flokk has built sustainability into their philosophy, and it has been one of four cornerstones, forming their philosophy, strategy, products and operations. They explicitly express through the sustainability reports and the interview that being a business that will contribute positively to society is a value and a term of their existence.

Vestre

Vestre has explicit awareness of their business ethical position. The head of sustainability explains it likes this; *"We see these days that companies have followed Friedman's doctrine from the 70s to a great extent. Our interpretation of that doctrine is that it claims that it is a good thing if all companies should seek profit. We believe that this is completely wrong, and*

that companies have to take their share of the responsibility. Our philosophy is that if a company does not have a net positive contribution to society, it should not really exist. While owners today, much because of the way the legal structure is set up, have no downside at all. There is something in the regulative incentive-structure itself that makes it very easy to exploit the commons. We believe that companies must take greater responsibility. So that's why we work with sustainability».

Merkur Grafisk

Even though Merkur Grafisk doesn't mention explicitly their business ethical position with terminology, the daily manager expresses a personal ethical view where he states that companies have a responsibility exceeding the interest of increasing profits. This ethical view resonates highly with the department manager. Both of them state that this view permeates the culture of the company and is an important normative value in the company. The daily manager expresses that the sustainability initiatives and activities are motivated by two main incentives; 1) What he as a manager feels is relevant and 2) the marked demand. The daily manager explains the business ethical position and the sustainability responsibility of the company likes this; *"How can I be a contributor in this small world? I am in a role as a daily manager so I can at least influence my employees and increase the sustainability of this company, and also try to influence our customers and their shopping patterns. And then I took this idea with me into the management team and discussed it there. And then we have connected it to what we think the market thinks about the environment and sustainability".* The engagement of the daily manager has led to a radical change in the sustainable infrastructure of the company in a little over nine months. However, the production department manager with 25 years of experience in the company, could reveal that the daily manager did indeed increase the speed of the sustainability initiatives, but that he continued a journey which was already begun and well rooted in the culture of the company.

Grande Fabrikker

The daily manager states it is what the customer demands that drives the sustainability initiatives in the company; *"It is of course important for us to be involved and take social responsibility and environmental responsibility, so what we do carries some overriding importance of that. And the next thing is that this is almost a "must" considering the market we are working towards. It is customers who drive us forward. What the customer demands or expects from us, is what we try to fulfil. Daily operations trump most, so it's easy that*

sustainability activities that exceed the ones we already do to fulfil the criterias, are pushed aside when you have a busy day."

Photocure

External requests from investors pushed Photocure into creating their first sustainability report in 2020. Photocure is reaping the benefits from reporting, as the release of the report may have impacted their ranking at Oslo Børs already. Our interviewee is indicating this has something to do with the report, and states that the resource demanding process of making the report has already paid off. For Photocure, the making of the sustainability report also represents the start of the making of their sustainability infrastructure. Before this process, no activities or operations in the firm was labelled as sustainability. The process of the report has led to an expressed desire by the group making the report, the management group and the board, to incrementally increase the focus on sustainability. The interviewee states the motivations for this change this way; "*Because we wish that our company at least should not have a negative impact on the world around us."* However, she also states that the motivation for the initial sustainability report and the information in it, is first and foremost is externally driven.

5.1.4. Summary

The table below (Table 3) summarizes the topics discussed in this section and compares the cases to each topic discussed. The scores range from 0 -10, ten representing the top score. The score is set based on the interviews and by analysing the cases sustainability reports. Further, the score is set in relation to sustainability performance, not in relation to each other.

Table 3: Comparison between cases of the research topic at hand

	Flokk	Vestre	Merkur Grafisk	Grande Fabrikker	Photocure
Materiality awareness	10	9	5	3	4
Sustainability strategy	Yes	Yes	No	No	No
Sustainbaility accounting	8	7	5	2	0
Sustainability management control	10	8	8	2	2
Sustainbaility report	10	10	No	No	3
Measuring sustainabaility performance	8	7	5	3	0
Tools to measure	CEMAsys	CAMEsys	Climate Calc, Miljøfyrtårn Miljøfyrtårnets climate calculator	Miljøfyrtårn, Svanemerket	GRI-standards
Sustainbaility incorporated in their business model	Yes	Yes	Partly	No	No
Sustainability incorporated in their day-to-day operations	10	10	7	7	2
Sustainabiilty awareness	10	10	7	4	3

5.2. Comparison and synthesis

In the previous section I presented in a siloed matter how each case related to three themes. In this section I will present the spotted differences and common patterns *among* and *between* the cases, and thereby point out tendencies. The figure below (Figure 7) visualizes different concepts observed in the study that influence the integration of the non-financial information. There were five main themes unfolding in the study; 1) motivation (relating to RQ3), 2) utilization of resources, 3) the quality of non-financial information (relating to RQ1), 4) how integrated the non-financial information is towards increased sustainability performance

(Relating to RQ2), 5) actual non-financial information not being measured or documented (Relating to RQ1). These themes are represented on two vertical axis in the figure, and the cases are placed on a horizontal scale on each theme. In the subsections below I will present the different themes discovered.

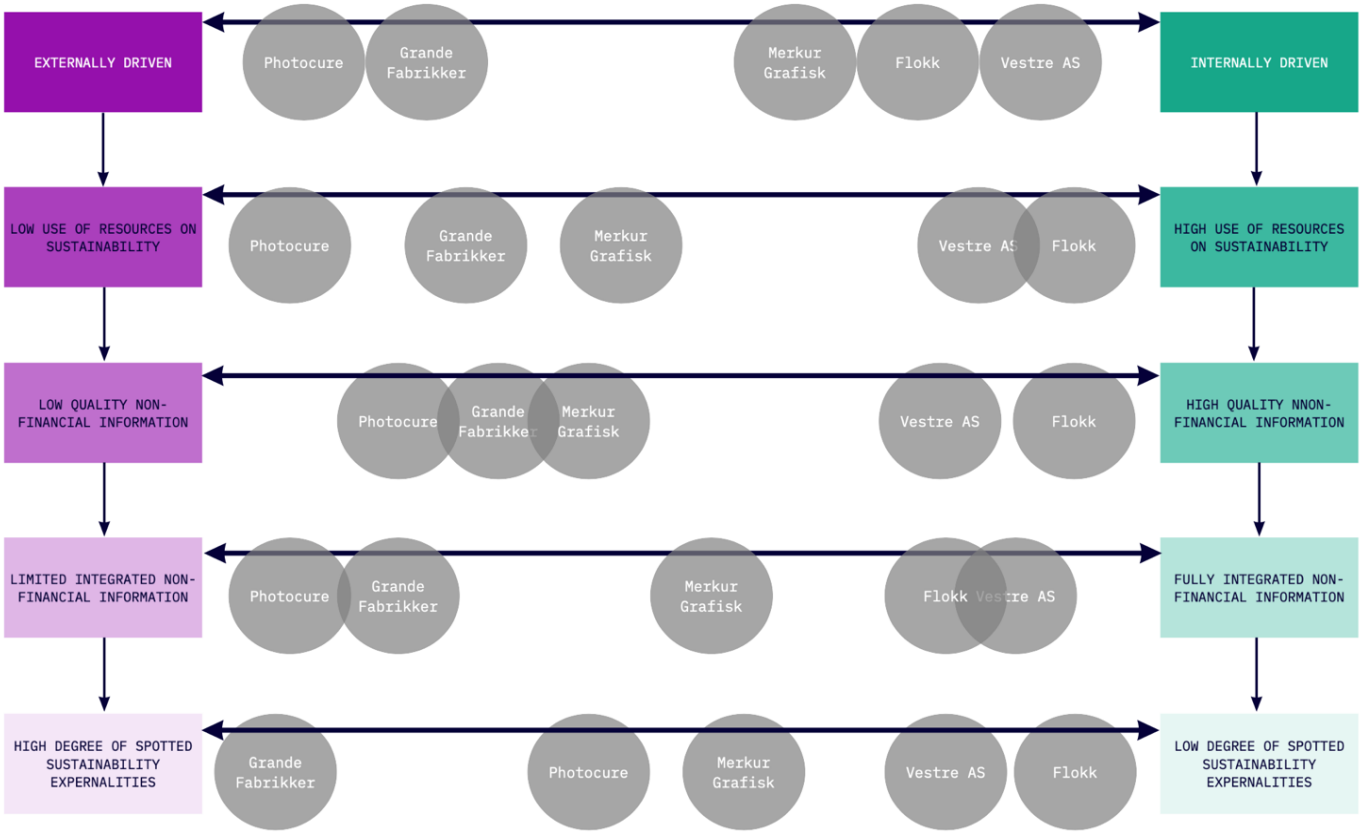

Figure 7: Patterns-figure; Aspects in the organisation influencing the integration of the non-financial information

5.2.1. Motivation

For the cases I have investigated the motivations for integrating sustainability in the companies are very varied. Merkur Grafisk has an engaged daily manager, a board and manager group who cheers him forward, and Photocure has just started with one sustainability report because external investors requested it. Grande Fabrikker wants to continue being eco-labelled and accordingly does what needs to be done in order to keep its certificates but wishes to do nothing more. On the other side of the scale, we find Vestre and Flokk being endogenously motivated for incorporating sustainability as it is explicitly embedded in the core of their business model, and they have expressed the desire to have a business ethical position where they outspokenly take a sustainability responsibility exceeding the demands of the law, market and the customer needs. Flokk and Vestre, together with Merkur Grafisk, have a motivation for implementing

sustainability that seems endogenously driven. Examples of endogenous motivations identified in these cases are sustainability strategies (Vestre and Flokk), sustainability in the business model (Vestre and Flokk) and the urge of one daily manager wanting to transform the company (Merkur Grafisk). Whereas Photocure and Grande Fabrikker could be defined to have motivation for incorporating sustainability largely being exogenously driven. Examples of such motivations are external investors asking for it, market demand and customer need. Photocure and Grande Fabrikker do, however, mention endogenous motivations, but point out that the exogenous motivations weigh the heaviest. The other way around goes for Flokk, Merkur Grafisk and Vestre, which mention exogenous motivations as significant motivations for them as well, but weighing the endogenous motivations the heaviest. Since there is an absence of regulations on what non-financial information Norwegian SMEs shall disclose externally, what *motivates* the cases with regard to sustainability seems to have large implications for how each case handles their sustainability. My study reveals that the cases having strong endogenous sustainability motivations, are also the cases integrating the non-financial information most efficiently, excessively and directly towards sustainability performance increase.

5.2.2. Utilization of resources

I find that the amount of resources utilized on sustainability initiatives differ strongly between Photocure, Grande Fabrikker on one side and Vestre AS and Flokk on the other side. I believe that this finding indicates that there is a strong connection between the resources devoted to retrieving and integrating non-financial information, and the quality of the internal sustainability system. The more resources the company devotes to integrate non-financial information towards increased sustainability performance, the higher the quality of the non-financial information and the more efficient and effective the internal sustainability system becomes.

5.2.3. The quality and function of non-financial information

There are very different approaches to the gathering of the non-financial data between the cases. Vestre and Flokk represents a very scientific and thorough approach, representing by far the most resource demanding and most probably the most accurate gathering of non-financial data of the cases investigated. Merkur Grafisk uses a patchwork of different certificates and tools in order to gather non-financial information but has not yet developed a database fitting their emissions to their operations but are using a generalized database. Grande is gathering the information needed to be gathered to fulfil the demands of the criteria to keep the sustainability

certificates, and Photocure is leaning heavily on the "Good manufacturing practice"-standard which is the standard-regime of pharmaceutics.

There are different ways of describing what function the non-financial information in the company are serving. Nevertheless, there were two functions all the cases/companies could agree upon; 1) They all agree that the non-financial information is used for increasing sales. 2) All of the interviewees express that they wish that the non-financial information could work to inform, enlighten and increase awareness among employees. The latter function has however, been given quite different attention between the cases.

Further, all cases, except Grande Fabrikker, state that they use sustainability reporting for internal and external reasons, and that this report contains the same non-financial information internally and externally. Photocure has received feedback from their employees that the sustainability report was perceived as a little "blah, blah", meaning the employees perceived the report to be a polished version of Photocure and had limited direct and graspable information. Vestre, on the other hand, has taken a clear choice that the sustainability report should never exceed 30 pages; *"The sustainability report must be made available to the population, otherwise it has no value. We will never make a sustainability report over 30 pages. We're trying to cut it down. Cut it down massively."*

5.2.4. Integration of non-financial information

The empirical research also reveals a pattern that points to how the motivation is affecting the *way* the companies integrate sustainability in their organisation. An emerging pattern became evident when comparing *how* the companies have rigged their internal sustainability system. Vestre and Flokk distributes the non-financial information internally and externally, and there are clear targets and progress plans of how to improve their sustainability performance. Merkur Grafisk has a poorer developed internal sustainability system compared to Vestre and Flokk. Nevertheless, the company *has* a sustainability system and it is developing rapidly towards resembling Vestre and Flokk. Grande Fabrikker on the other hand, has dedicated their focus to comply and stay up to date in order to maintain the sustainability certificates, but their efforts do not seem to go beyond complying. Photocure is just starting to fill identified gaps discovered after the generation of a sustainability report formed by the GRI-standards.

5.2.5. Sustainability externalities

Another trending pattern emerging is the tendency of data, information, activities and operations that is not categorized as "sustainability" indicators. With already scarce resources, re-organizing, documenting and measuring sustainability becomes too demanding to handle, especially when the win for the company is not clear. Hence, a significant degree of non-financial data is never gathered, measured or documented. I call this phenomenon "sustainability externalities". The sustainability externalities, like Grande Fabrikker´s incineration plant, have undoubtedly a positive sustainability performance effect. But how much that effect is, is not possible to answer until the companies have the will to label it as sustainability and put in the resources to document and measure it.

There is an evident pattern emerging when analysing the data collected; the more sustainability *matter* for the company, the *better* the non-financial information is integrated and rigged towards increased sustainability performance. In my findings, it is evident that the more integrated sustainability is in the company, the more the company feel like they are gaining from the implementation. When they reap the benefits, they *see* the benefits. Thus, in this study it is evident that the company needs to *experience* the benefit to *see* the benefits. Thus, making SMEs endogenously motivated points out to be a possible opportunity to enable SMEs to become sustainability leaders.

6. Discussion

6.1. RQ 1: Measuring and documenting sustainability

6.1.1. A resource demanding process

Hauser & Katz (1998) insist on the importance of exposing current patterns of a company's sustainability situation, to know what and how much to improve, and state that *"you are what you measure"* (Hauser & Katz, 1998). Moriaka & Carvalho (2016) point to the importance of integrating sustainability into operational practice and core business strategy, and suggest all companies should have a sustainability measurement system to be able to rig themselves towards sustainability performance (Morioka & de Carvalho, 2016). Findings reveal a resonating desire to measure the sustainability situation in the company to "know what they are" even though there seem to be mixed feelings about implementing a measurement regime. Vestre describes the issue of measuring like this; *"In some cases it may not be right to measure at all. Even so, I find measuring an important part of the solution. Because it is unfortunately the case that it is much easier to relate to statistics, than to relate to soft data."* Vestre also

expresses a fear of measuring the wrong thing, and thereby ending up changing something in operations that *decreases* the sustainability performance. This point might resonate with more of the cases but was explicitly expressed by Grande Fabrikker as well. However, there was a clear common call from all cases calling for better, more trustworthy and more uniform ways of measuring and documenting sustainability. Esty and Karpilow (2019) suggests a uniform set of methodological standards to achieve the level of comparability. While Esty and Karpilow (2019) claim that the sustainability reporting will significantly increase the value and usability of the sustainability report for *investors*, my study shows that Esty and Karpilow´s (2019) suggestion might come in handy for the companies as well. Thus, this suggestion seems to resonate highly with the findings in this study.

Loucks et al. (2010), find that the reason SMEs are becoming laggards compared to large companies, emerge largely from effects caused by differences of resource availability such as capital, time, knowledge and skilled personnel, and differences in scale of operations (Loucks et al., 2010). This corresponds with my findings; in the cases investigated three out of five had outsourced the operation of the tools and frameworks they use for gathering non-financial information. Merkur Grafisk and Grande Fabrikker have a do-it-yourself-approach, still Merkur Grafisk has outsourced most of the actual measuring of the company's chosen sustainability indicators, and Grande Fabrikker is the case investigated that measures and documents the least non-financial information. Grande Farbikker also has the most spotted sustainability externalities of the cases investigated. All the cases expressed lacking a streamlined sustainability accounting system and the gathering of the non-financial information was expressed as a cumbersome and resource demanding process for everybody. They all seem to have information to different indicators spread around on several platforms, spread out between several partners and consultants. Harvesting non-financial information from subcontractors was described to be the most challenging aspect, and one of the companies had the day-to-day overview of their sustainability situation. All cases in this study called for better solutions. This corresponds well with existing literature as scholars point to companies not having adequate collection systems to be able to collect quality data (Bernow et. Al, 2019; Maas et al., 2016). It further corresponds with Arena and Azzone (2012) finding that there are hardly any sustainability frameworks applicable for SMEs, and thereby making them laggards in the sustainability transition compared to large companies (Arena & Azzone, 2012). If this applies to more SMEs then the five investigated in this study, my findings show that the retrieving of

non-financial information is a distinct barrier for SMEs ability to document and measure their current sustainability situation. Making this process less cumbersome and resource demanding seems to be the trajectory in order to enable SMEs to overcome this barrier.

6.1.2. Fumbling in the dark together

The struggle of documenting and measuring sustainability corresponds well with another common pattern; the common perception of sustainability being an untameable and ungraspable mass of undefined and unstandardized indicators and metrics. It is expressed by all the interviewees that sustainability encompasses so many different aspects, and is perceived so differently by so many, that it feels like there is a massive pool of knowledge one should have, just to start with incorporating sustainability in the company. This "ungraspable sustainability monster" is tackled differently in all the companies, but the feeling of not being able to understand, measure, document and create effective targets seem to resonate with all of the cases.

Four out of five cases state that it would have made it easier to get started with the corporate sustainability implementation, had somebody told them that sustainability is in fact vast and ungraspable for *"everybody"*, not only them, who has only just begun the journey of sustainability. I find this finding interesting in relation to Hörisch (2014) claiming that lack of knowledge in SMEs are the biggest barrier to overcome to enable SMEs to become leaders in the sustainability transition (Hörisch et al., 2014). My finding makes me question if the barrier of lack of knowledge Hörisch (2014) is pointing out, could be lessened with increasing the awareness among SMEs that *"everybody*" finds sustainability to be complex, and that nobody has the knowledge to understand it fully. However, I under no circumstances imply that the need for more knowledge is being erased simply by stating that *"nobody"* has *all* knowledge. However, I wonder if increased awareness in SMEs of not feeling alone with the ungraspability when dealing with sustainability, could potentially give self-confidence and engagement to build more knowledge. Simply put, fumbling in the dark together is easier than fumbling in the dark alone. A tip to further developers making new tools for sustainability-beginner SMEs could be to create the start kit-knowledge of telling the user that sustainability is in fact vast and ungraspable for society at large.

Plugge and Wiemer (2008) finds that SMEs found some aspects easy to disclose, measure and document since some of the indicators were already being measured, thus also known, prior to labelling this already known information non-financial (Plugge & Wiemer, 2008). Starting to

disclose the easiest indicators first, seem to resonate with Vestre; they suggests the following when asked to give a tip to a SME that was just beginning to deal with the sustainability issue; *"Tell SMEs that there are certain things that today are very difficult to quantify and measure, especially on the social aspect and the biodiversity aspect. While disclosing your imprint on carbon equivalents is the least challenging with today's tools. I would recommend SMEs to start there, just to get that feeling of mastery. That's a great start".* These findings correspond to Higgins et al. (2020) that suggest that instead of focusing on *implementing* regulations that require sustainability reporting, a more useful focus would be on *what* is reported, and *how* (Higgins et al., 2020).

6.2. RQ 2: The integration and utilization of non-financial information

To discuss this RQ I draw upon the presented theory of Maas et. Al (2016). This section is devoted to how the outside-in-perspective and inside-out perspective plays out in reality in the five different cases observed for this study.

6.2.1. Outside-in:

The outside-in perspective focuses on creating relevant non-financial information for its stakeholders by engaging stakeholders in an interactive process. Essentially, this enables the company to ensure that the stakeholders can influence the data generated by engaging in the process, and ensure transparent, comparable, relevant and trustworthy information for the stakeholder (Maas et al., 2016). For the cases, there were vast variations between how the transparency-perspective was included in the internal sustainability systems of the cases. Further, how the transparency perspective was taken care of for the five cases, seem to have little linkage to the patterns-figure (Figure 7); if the case were swaying to the left or the right of the patterns-figure, seem to be of little relevance. The GRI-standards recommend and guide the companies to engage stakeholders and include them in the disclosure process. Photocure followed the GRI-standards, and therefore completed a complicated materiality analysis when making their first sustainability report, where stakeholders and employees were actively a part of the process. They intend to keep the stakeholder-dialogue warm to engage the stakeholders to evaluate their sustainability report next year. Vestre also points to the GRI-standards when confirming that they have just introduced the stakeholder-dialogue in their internal sustainability system, thereby also stressing that they still need some time to get the experience needed in order to reap the benefits of this perspective. Flokk also takes care of the outside-in perspective through a stakeholder-dialogue where they make the sustainability report become

the platform for which they seek external feedback, which again feeds back to the improvement perspective. For Merkur Grafisk and Grande Farbikker there are as of today no stakeholder-dialogue running to improve the transparency and the relevance of the non-financial information distributed externally. When evaluating the outside-in perspective in the cases investigated, I would claim that the outside-in perspective in has improvement potential.

I further spot a trust-issue among the cases. I quote Merkur Grafisk, however, this tendency was spotted in Vestre AS, Flokk and Grande Fabrikker as well. The interviewee at Merkur Grafisk explicitly expressed his trust-issues to the stakeholders like this; *"I have chosen the opposite approach. If someone is wondering about something, or if someone thinks that what we are doing is interesting, they see it, read it, and contact us instead of the opposite. Because if we start pushing this message here too much, it will quickly get a little pontificated."* As I explained the idea of the stakeholder-dialogue, he could tell me that he didn't believe his stakeholders knew enough about sustainability to give him any useful feedback.

6.2.2. Inside-out:

The inside-out perspective focuses on sustainability performance improvement. Maas et. Al explains the ideal inside-out-design like this; The sustainability strategy is manifesting *how* and to *what* targets and plans to implement. The sustainability accounting measures and documents the current state of the sustainability situation, whereas the sustainability management control systems make sure to maintain, uphold and improve targets, operations and initiatives. The reporting works as the end-process, giving yearly sum up of the current sustainability situation of the company (Maas et al., 2016). In this section I will first present how the cases swaying to the right in the patterns-figure tend to organize and integrate the non-financial information. Secondly, I will present the left side.

In figure 8 I have used the same building blocks as in figure 2 and 6 to visualize how the cases in this study tended to rig themselves swaying extreme left or extreme right. The visualization to the right of the figure below (Figure 8) presents a company being completely parked in the right side of the patterns-figure. In the empirical research Vestre AS, Flokk and Merkur Grafisk were swaying towards this visualization. From the cases studied, I have observed that it is the cases swaying the strongest to the right of the patterns-figure (Figure 8), that moves towards constructing an internal sustainability system reassembling Maas et. al´s framework. It is the inside-out perspective which is by far the perspective that has attained the most focus for Vestre

AS and Flokk compared to the outside-in perspective. For Vestre, Flokk and partly Merkur Grafisk one can observe how the non-financial information is utilized in order to map their current sustainability situation (Sustainability accounting). The information displaying the current sustainability situation is further linked to progress plans and management control systems ensuring the organization to reach the sustainability targets (sustainability management control systems). The sustainability reporting serves as the last activity, gathering progress of activities and initiatives relating to sustainability (Sustainability reporting). The report represents the current sustainability situation of the company. The report is thereby distributed externally and internally. As shown in the figure (Figure 8), the right-swayed companies thus, seem to have an established inside-out perspective, integrating the non-financial information and having successfully linked sustainability strategy, sustainability accounting, sustainability management control systems and sustainability reporting.

It is fascinating to compare Maas et. al to the actual situation of the cases and see how the linkages are even more developed then what Maas et. al proposed. When observing the internal sustainability system of Flokk for instance (Figure 6), there are solid lines (representing the inside-out perspective) going from sustainability reporting directly to the improvement perspective. Further, we can observe full lines going from sustainability accounting to the improvement perspective. These are lines that Maas et al. (2016) didn't highlight in their framework. The greatly developed inside-out perspective of Flokk might be explained by the title of the company's sustainability report being; "inside-out". However, I don´t know whether the employees writing the sustainability report gives the title another meaning then what is expressed in this thesis.

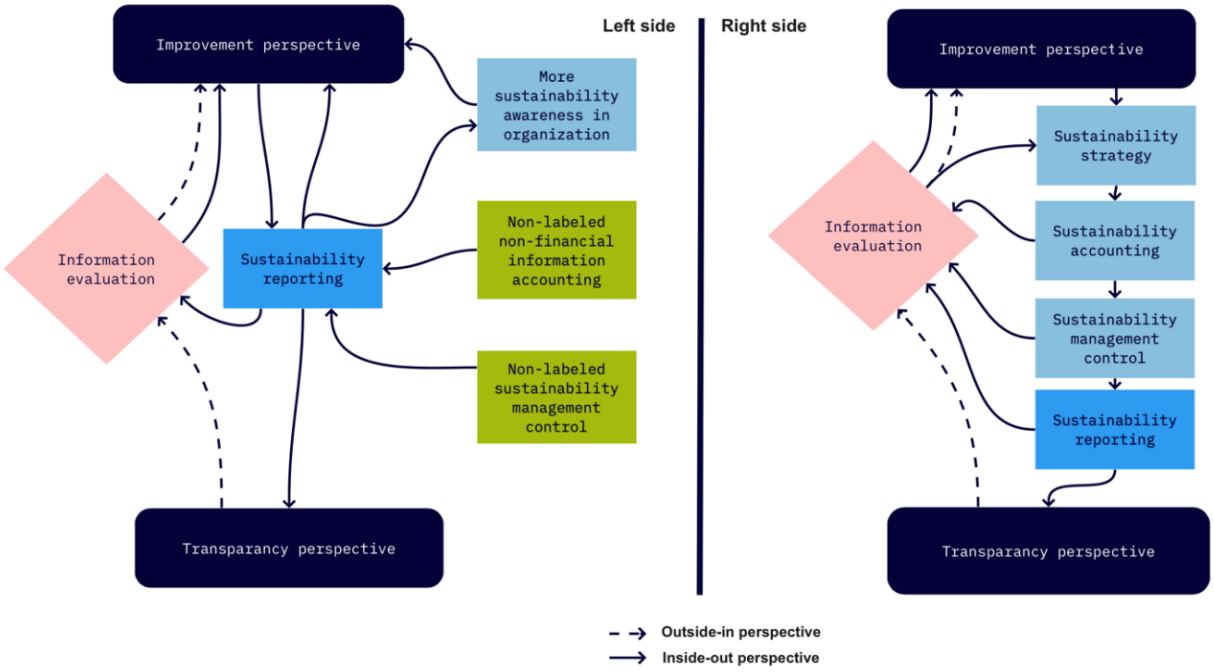

Figure 8: Internal sustainability system; left & right side

Not surprising, it is the companies that tend to use less resources on implementing an integrated internal sustainability system, that expresses that they document and measure the least non-financial information. This again corresponds well with Arena & Azzone (2012) and Hörisch (2014) explaining that many SMEs lack resources and knowledge to implement sustainability (Arena & Azzone, 2012; Hörisch et al., 2014). In this study Photocure and Grande Fabrikker used the least resources on gathering and integrating non-financial data. Photocure and Grande Fabrikker are identified as largely exogenously motivated, which led to the lack of incentives to integrate the non-financial information towards actual increase in sustainability performance. I find that the scarce resources invested in integrating the non-financial data and the lack of incentives to do so, pushes the utilization of non-financial information into largely being centred around the process of gathering and externally distributing the information, rather than integrating it and rigging it towards increased sustainability performance. The visualization to the left in the figure above (Figure 8) presents a company being parked on the far left side of the patterns-figure (Figure 7). One can observe that the cases being largely exogenously motivated is concentrating their sustainability activities around the sustainability certification process or the sustainability reporting process, making *this* process the centre of the internal sustainability system. For Photocure and Grande Fabrikker the internal sustainability system is largely focused on gathering information and doing small changes in order to create a representable report or get the certificate. However, both cases express that the process of

gathering the non-financial data has led to increased sustainability performance. Like a shift in employee awareness or a change in purchasing routines towards more environmental material. Further, they state that from the process of getting a certificate and generating a sustainability report, both companies have in fact formulated sustainability progress targets and at least started the formulation of reaching these targets. However, their changes still represent internal sustainability systems where sustainability becomes something that is separated from day-to-day-activity, the positive changes are fairly incremental and small and the increase in sustainability performance rather scarce.

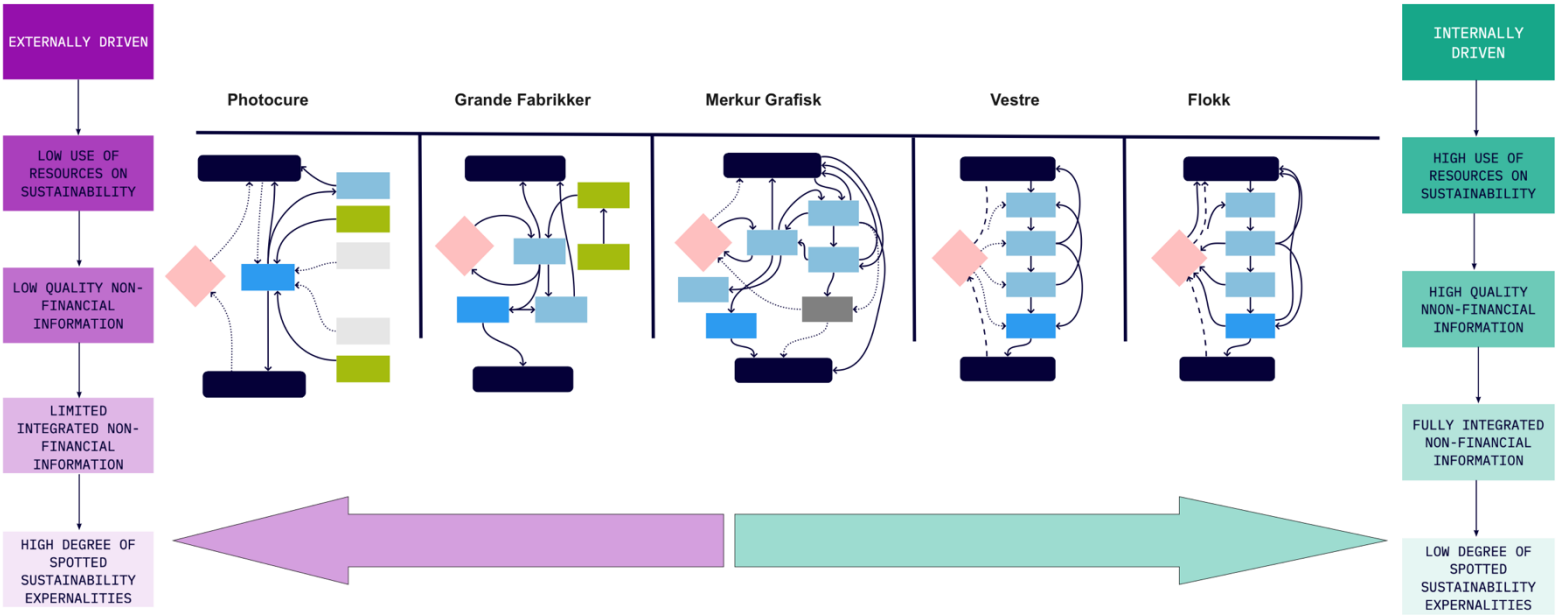

Figure 9: The internal sustainability system of each case placed in the patterns-figure

To sum up the mentioned points above I have merged the patterns-figure (Figure 7) and the internal sustainability system of each case (Figure 6). This figure (Figure 9) visualizes how the cases sway left, moves towards rigging the internal sustainability system around the sustainability report. It is evident that the cases that largely has endogenous motivations, thus, the will to use the data for internal improvement purposes, is in fact spending more resources at implementing an internal sustainability system. This again leads to an internal sustainability system utilizing integrated thinking, thus, integrating the non-financial information more effectively and excessively towards increased sustainability performance compared to the exogenously driven cases investigated in this study.

6.3. RQ 3: The impact of the ethical position on utilization of non-financial information

The shareholder theory does not support sustainability that does not lead to increased profits. Whereas CSR builds on the shareholder theory but incorporates the aspect of companies taking societal responsibility. Corporate citizenship (CC) on the other side, represents the opposite business ethical position, stating that companies should not exist if they don't contribute positively to society (Crane & Matten, 2016). Based on the interpretation of the data collected, I categorise the business ethical positions of the cases like the figure below (Figure 10).

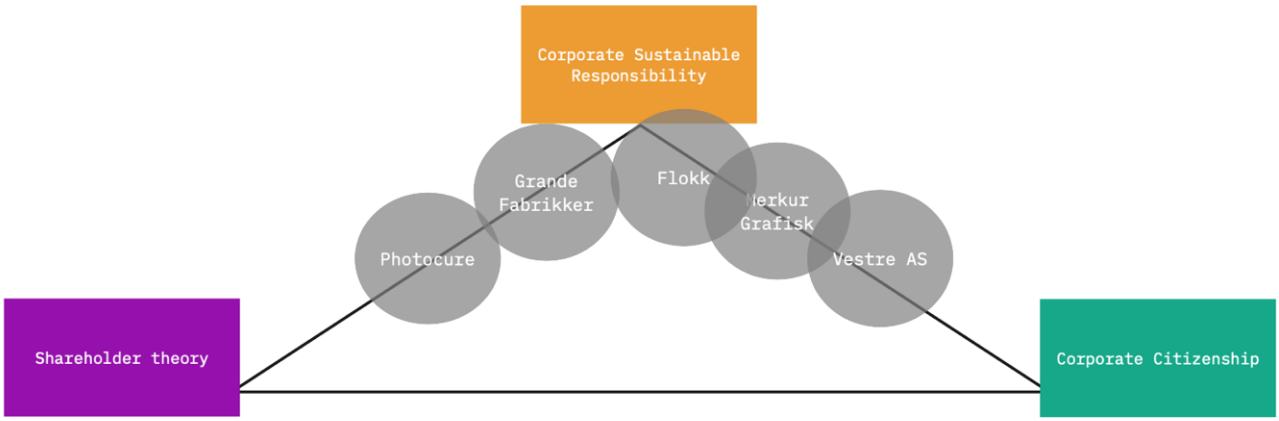

Figure 10: The business ethical position of the cases investigated

From the figure one can observe that all the cases centres around the business ethical position of CSR. From the categorization one can observe that Flokk, Merkur Grafisk and Vestre represent the right side, swaying towards CC. Vestre was the only case using actual terminology when expressing their business ethical position, they place themselves in the ethical view of CC and explicitly take distance from Friedman's Shareholder theory. The CC position is integrated in their business model and their core strategy by aiming at becoming the most sustainable furniture company in Europe. Phototcure and Grande Farbikker on the other hand, sway towards shareholder theory.

What is noticeable is that the pattern from Figure 7 materializes again when placing the companies in their business ethical position. This might imply that companies being endogenously motivated usually sway towards the business ethical position of CC, and are hence, more likely to integrate their non-financial information towards increased sustainability performance. It could also happen to be that *choosing* to integrate sustainability in the business model more easily allows the company to take the CC position; as rigging the company to be

endogenously motivated, makes the company favour sustainable options for more reasons than the company's business ethical foundation. Let's take an example, to shed light on the point I am trying to make; Vestre has integrated sustainability into the core of its business model. When Vestre has rigged the organisation for sustainability into the business model and strategy. Consequently, Vestre has strong incentives to integrate sustainability into the organisation, whatever the underlying business ethical foundation Vestre might hold, and have thereby also *internalized* exogenous motivations. Photocure, on the other hand, struggles to find resources and motivations to make radical changes, as it simply is not rigged to be strategically motivated to do so. Even though Photocure claims to have a CSR business ethical foundation, the company is not rigged for incentivising sustainable initiatives, leading to a reality where business as usual has little to do with sustainability-oriented activities. To the extremities, this dynamic allows an endogenously motivated enterprise to flag a CC position but in reality, hold a shareholder theory position[30].

Following this though, I observe a possible bouncing effect. The cases that have been able to make a sustainable transition (Vestre AS, Flokk, Merkur Grafisk) have bounced between a CC-position and a shareholder-position, allowing both. They bounce off each other, rigging the company to become more and more sustainable; as they experience both increased profit, and positive external feedback *and* the creation of positive externalities from their operations and production. Ultimately, the case has operations and a production that coincides with a CC position. I also observed how this bounce gave incremental repercussions throughout the company, anchoring a change in the culture, a culture that wants to have a company that is doing something good for the world. Following this idea, it is not surprising that all cases swaying towards a CC-position have integrated sustainability more excessively than the cases swaying towards the shareholder theory.

I also observed true CC operations being brought forth that was not motivated by a shareholder position. Both Vestre and Merkur Grafisk wants to use their non-financial information to contribute to their expressed desire to be a knowledge hub for their competing peer-companies in their industry, showing them how they have implemented sustainability to increase the

[30] Given that sustainability operations is profitable for the company. Weber (2008), among many scholars, states that sustainability operations is profitable for the company (Weber, 2008, cited in Šontaitė-Petkevičienė, 2015).

sustainability performance. This is placing them in the risk of losing potential profits as they are giving away their competitive advantage by helping their competitors become more like them. This example strengthens the theory that a CC position might have actual implications of the utilization of non-financial information.

Another tendency I observe in my findings is that all the cases express to agree with the call from Buller & McEvoy (2016) arguing that companies should play a role in enabling the transitions towards a sustainably global society. Following Carroll´s pyramid, the particulars of each level of responsibility are temporally, spatially and culturally contingent, and depend on the expectations present in society in a particular time (Crane & Matten, 2016, p.51). Among the cases investigated I find that the prevailing business ethical mindset to be as following; the company should act on behalf of the owners and the business manager should act to survive financially, however, the company is not only directed by law and regulations but has in itself a societal responsibility. These findings might be revealing a tendency in time towards a normative shift, where the levels of responsibility in Carroll´s pyramid are changing towards more societal responsibility for the business world. This could, however, be related to the specific selection of cases for this study, as the companies selected are sustainability front-runners in their industry. Regardless, the tendency I observe in my findings is that all the cases express to agree with the call from Buller & McEvoy (2016) arguing that companies should play a role in enabling the transitions towards a sustainably global society.

6.4. Additional remarks

I believe the findings and the discussion above to a large extent answer the supporting RQs of this thesis; Nevertheless, there are some more findings which I find relevant to highlight and discuss in order to answer them fully.

First, I want to mention the aspect of information asymmetry and greenwashing. From the literature review greenwashing implies an opportunistic and cunning behaviour (Danzman & Getz, 2020; Etsy & Karpilow, 2019; Petersson, 2019). Walker and Wan (2012) propose that as long as firms neither integrate nor intend to, non-financial information distributed externally is indeed just a PR matter, and detached from internal processes (Danzman and Gertz, 2020). The behaviour described above does not resonate with my findings. As all cases explicitly expressed their will of not causing negative externalities and expressed their will to contribute to the transition towards a sustainable society. In fact, I experienced that the interviewees that *did* possess the knowledge to be able to exploit the regulations and frameworks at ground for

personal gain, focused upon using their knowledge to rig the company to become as transparent as technology and resources availability allowed them. Maas et. al (2016) formulates the inconsistency and incoherence of guiding frameworks on ground differently than the scholars mentioned above. Maas et al. (2016) states that it is difficult for organizations to shape solid sustainability reporting processes and channels (Eccles et al., 2012; Maas et al., 2016). I find the formulations of Maas et al. to suit my findings better then Walker and Wan (2012). If anything, I experienced my interviewees to be confused rather than opportunistic and I find the lack of resources and motivation and the jungle of frameworks to be the main reasons for the possible inconsistency of the non-financial information being externally distributed.

Secondly, I want to highlight how the SME-characteristics worked in the favour of the endogenously motivated cases investigated. I like to highlight one example; to recall, Williams and Schaefer (2013) find that managers in SMEs tend to have more freedom in decision-making processes compared to managers in large organizations (Williams & Schaefer, 2013). They find that in SMEs the manager carries out a sense of responsibility and increased motivation which in many cases generates higher social and environmental engagement compared to the larger companies operating in the same industry (Williams & Schaefer 2013). For Merkur Grafisk this finding seems to be spot on. The daily manager presented his sustainability engagement to the manager group and the board, and thereby became the head of environment in the company. This again has resulted in a radical change for the company.

Another relevant aspect to mention, is a pattern emerging showing how immense impact the framework used to disclose the non-financial information has on *what* non-financial information is being gathered, and what depth it encounters and, furthermore, *how* the non-financial information at last will be utilized and integrated. Three out of five cases investigated in this study started the incorporation of sustainability using a sustainability reporting framework or sustainability certificate process. We can see from Merkur Grafisk, Grande Fabrikker and Photocure that they base the implementation of sustainability solely on the criterias and standard of the frameworks they use. Having limited sustainability knowledge and limited skilled personnel in the company relating to sustainability, makes the company rely heavily on the certificates and frameworks. What these frameworks and certificates demand, and how they guide the companies in making the report or getting the certificate, becomes the foundation and platform forming how the SME incorporates and deals with sustainability. Thus,

what framework utilized for sustainability reporting in the investigated SMEs has massive importance of how sustainability is being incorporated into the business, and ultimately how the company rig themselves to participate in the sustainable transition.

Finally, I want to mention the finding of the actuality of the thesis. For three out of five cases, the transition towards a sustainable organisation was happening right now. Photocure, Merkur Grafisk and Vestre AS, have had radical changes within the course of three years, and when interviewed they were in the midst of these changes, leaving me with the impression that this thesis has unpacked and investigated a topic of urgency. Even though the cases represent frontrunners within their industries, this observation makes me wonder if the sustainability momentum for SMEs is *now.*

6.5. Answering the main RQs

To sum up the mentioned points above, I will answer the two main research question posed in this thesis:

Main RQ1: *How are Norwegian SMEs integrating and utilizing the non-financial information from their sustainability reporting practice to increase the company's sustainability performance?*

Main RQ2: *...and how does the company's business ethical stand shape the integration and utilization of the non-financial information?*

Buller & McEvoy (2016) direct the focus to the role of the enterprise, pointing out that companies are major contributors to creating the sustainability challenges facing our global society. All the investigated companies support this assertion, and all believe this responsibility should be acted upon.

However, *how* the companies in this study acted upon this sense of responsibility varied significantly. Current literature in the field envision the *integration* of sustainability reporting in organizational processes as key to accelerate an organization's sustainability performance (Moraika, Haus, Maas etc). At a first glance, this correlates with the findings from this multi-case study.

Two (Flokk and Vestre) out of five companies integrated the non-financial information, by integrating it in the company's strategy, targets and management control systems. A direct

connection to increased sustainability performance was seen in these two companies. The increased sustainability performance was defined through the measured progress based on the indicators the company itself had chosen, measured and reported on. Hence, the connection between sustainability reporting and increased sustainability performance was significantly present. Despite the fact that these companies used most resources in retrieving and integrating the non-financial information, they also expressed benefiting the most from integrating and utilizing the non-financial information, compared to the other cases in this study. Benefits mentioned were higher profits, better reputation, internal pride and increased sustainability performance. Hence, the sustainability report was indeed utilized as an improvement tool towards increased sustainability performance, and thus, become a catalyst for change in the company. Contrary, two of the remaining companies had limited connections between the non-financial information and the company's strategy, targets and management control systems, and seem to concentrate the utilization around the sustainability report only. These two companies had an underdeveloped system and indicator-library for measuring sustainability performance and could therefore only provide limited insights regarding their sustainability performance. Hence, the connection between sustainability reporting and increased sustainability performance came across as vague. The last observed SME utilized the non-financial information in a semi-integrated manner. They had a management control system connecting non-financial information to increased sustainability performance, but no sustainability strategy or precise targets was formulated by the company. The connection between sustainability reporting and increased sustainability performance came across as partly present.

Sustainability externalities: However, after a closer investigation it became evident that reality was a bit more nuanced in the companies in this study compared to the literature. Correspondingly, the SMEs investigated undertake sustainability activities which are not labelled as sustainability. Hence, a significant degree of non-financial data is never gathered, measured nor documented, and thus not reflected in the company's sustainability performance – or sustainability report. The amount of "sustainability externalities" were more evident in the two companies showing limited integration of the non-financial information. As an example, one of these two companies have installed an incineration plant on the production site, making most of the energy consumed in production renewable. The impact of this initiative is not measured, documented or included as non-financial information in the company. Hauser and Katz states that "a company is what it measures" (1998), this is also true here; where one of the

sustainable laggards on the paper in this study, may in fact in reality be the sustainable leader of the study.

Gathering and integrating non-financial information is resource demanding: Even with the spotted sustainability externalities, findings reveal a resonating desire among all the SMEs investigated to measure the company's sustainability situation in order to "know what they are", however, they all call for better tools and frameworks to streamline and ease the process of retrieving non-financial information, as this process comes across as cumbersome and resource demanding. This corresponds well with existing literature (Arena & Azzone, 2012; Bernow et. Al, 2019;). The sustainability externalities observed might be a consequence of this process being so demanding. However, all SMEs investigated expressed that they believe there is a link between non-financial information and increased sustainability performance, but that this link comes across as ungraspable and complicated to construct.

The integrated companies investigated felt that this link was ungraspable as they believe they didn't have enough indicators to fully cover "sustainability", such as biodiversity and well-structured indicators measuring and documenting the social aspects of sustainability. They further expressed that they didn't know how to measure and document the indicators they were missing. Moreover, the companies investigated with limited integration of the non-financial information agreed with the integrated companies on this matter. Furthermore, they expressed that this link was ungraspable also due to not knowing if their chosen indicators were in fact relevant and material to their operations, and further *how* to retrieve high quality non-financial information to the indicators they already were measuring and documenting. All in all, they express that this process comes across as highly complex, ungraspable and confusing. From this, all informants called for better tools and frameworks to streamline these processes. Furthermore, all informants agree that more trustworthy and uniform ways of measuring and documenting sustainability is preferable. Easing the process of measuring and documenting sustainability seems to bear great potential to make SMEs overcome this barrier. This is further confirmed in literature. As this process is such a resource demanding process, it is making the barrier for a SME to overcome even steeper and higher as SMEs are often in a position of lacking resources compared to their larger counterparts (Loucks et al., 2010).

Further, as the process of retrieving and integrating non-financial information comes across as highly resource demanding, cumbersome, confusing and complex, three out of five companies follow the guidance given by the frameworks and tools utilized to retrieve and integrate the non-financial data in great detail. Hence, how the non-financial information is integrated and utilized within a company depends highly on the choice of sustainability framework the company utilizes on their disclosures. Thus, the sustainability framework utilized has a massive impact on how sustainability is handled in the SMEs investigated.

A topic that materialized through the interviews were the underlying motivations for engaging with sustainability-oriented activities, which in turn can explain the differentiated behaviours among the companies in this study. A variety of different motivations emerged, leading to different ways of utilizing and integrating the information. Thus, digging deeper and investigating the underlying motivations and incentives for gathering, utilizing and internally integrating the non-financial information, seemed highly relevant.

If the non-financial information is only used for external communication there is no sustainability-oriented link between non-financial information and sustainability improvement (Walter & Wan, 2012, cited in, Danzman & Gertz, 2020). However, existing literature finds that motivation to engage in the sustainability agenda largely stem from customer demand and branding in Norway today (Nordea, 2020). In support of this claim, two of the companies investigated stated that their main motivation were customer demand and branding, qualifying them as “exogenously motivated”. In contradiction of the same claim, we found that two companies exhibited strong “ endogenous motivation”. This study reveals that *how* the companies were retrieving, documenting, measuring, utilizing and integrating their non-financial information, is largely based on one pivotal root-aspect; motivation. In fact, this aspect parted the five cases in two distinct groups.

The impact of the ethical position on utilization of non-financial information: The motivations for engaging in sustainability-oriented activities is, according to existing literature, found to be largely incentivized by increased profits for the company (ref. Figure 4), and not from the perception that the company itself has a social responsibility. This largely applies for both the exogenous and the endogenous motivations, however, there are none exogenous motivations deriving from any other incentive than increased profits. However, through the

interviews, a clear tendency is revealed that shareholder theory is a business ethical position that none of the cases identify with, and that profit is not the only driving force to implement sustainability. In fact, all cases investigated express that their company has a social responsibility exceeding law and regulations. We can see that the interviewees business ethical stand shapes the utilization of the non-financial information. The cases in this study point out a tendency that some Norwegian SMEs swaying towards a position of Corporate Citizenship are more likely to integrate their non-financial information towards increased sustainability performance, compared to the cases swaying more towards a shareholder theory position. Hence, in the cases investigated I see that those companies swaying towards a position of Corporate Citizenship are more likely to be endogenously motivated and thereby integrate their non-financial information towards increased sustainability performance. However, to what extent the position of Corporate Citizenship is taken on *before* or after the internalisation of sustainability motivations, is not known.

Endogenously vs. exogenously motivated: Two of the three companies in this study with the most integrated non-financial information had similar stories in response to the question about what first motivated their sustainability-oriented initiatives. In both cases, one small internal ripple, making bigger and bigger repercussions throughout the firm was highlighted as a game changer. For Flokk it was one designer in the early 1990´s rising her voice, stating her wish to do good for this world. For Merkur Grafisk it is largely the engagement of one daily manager having altruistic goals to radically change the company for the better of society. Both of these seeds are highlighted as determining factors for these companies ultimately becoming endogenously motivated. The endogenously motivated SMEs investigated tend to integrate the non-financial information into their day-to-day-activity and rig themselves to measure their actual sustainability performance better and more extensively, compared to SMEs largely doing sustainability for exogenous reasons. Contrary, the two other interviewees stated that customer demand and regulatory changes were the main motivations for engaging with sustainability in their respective organisations, and thus, qualify for being exogenously motivated. They are investing the least resources in terms of time, money and knowledge base, and the non-financial information is also the least integrated compared to the other three cases. Furthermore, this group of SMEs seem to centre their sustainability initiatives around the sustainability report and show limited insight in how to measure sustainability performance, whereas the endogenously motivated SMEs seem to construct an internal sustainability system

reassembling Maas et. Al´s (2016) framework (Maas et al., 2016). Conclusively, being endogenously derived motivated seems to differentiate those companies who had integrated the non-financial information in their organisations to those who had not.

The findings illustrate the divide between exogenously and endogenously motivated companies. The investigated SMEs who are endogenously motivated was realizing measurable and documentable sustainability performance increases through the integration of sustainability reporting in strategy, branding, targets and management systems. The SMEs who are exogenously motivated decided to minimize the amount of effort invested into reporting on sustainability, failing to formulate sustainability targets, modify strategy and integrate sustainability metrics in management systems. The research further reveals uncovering a significant degree of potential non-financial data never being retrieved, measured or documented in the SME. This tendency was most occurrent in the investigated exogenously motivated SMEs. If the advantages of sustainability leadership continue to rise, the "bare-minimum" strategy might become increasingly expensive both for the financial and the sustainable profitability, as it fails to account for the positive externalities. Thus, the study suggests some areas where further research is needed, as for instance uncovering and understanding how to make SMEs endogenously motivated or how to make the process of retrieving and integrating non-financial information less resource demanding.

7. Conclusion

This chapter concludes this thesis. In this chapter I will show what I have learned through the theory and the quantitative methods utilized to conduct this study, as well as crystalizing the essential outcomes of the study. Finally, limitations of the study and suggestions for further research is presented.

The purpose of this study was to investigate sustainability reports as holding the potential of being a leverage point with the goal being to rearrange the system structures of the wicked sustainability challenges. I did so by exploring the implementation of sustainability in Norwegian SMEs through the lens of non-financial information. The study was motivated by investigating the topic as a system, to unpack and identify *how* non-financial information was integrated, and *if* non-financial information carried the potential of enabling Norwegian SMEs in taking part in the sustainability transition. And thus, investigate if the internal usage of non-financial information in Norwegian SMEs could be a leverage point to intervene in the

corporate sustainability problem-system with the goal being to rearrange the system structures to preference desirable effects.

Three business ethical positions and an internal sustainability system-framework was the theoretical entry point of investigation. I chose the business ethical views to understand how the values of the SMEs were shaping the utilization of their non-financial information, and I chose the theoretical framework as the ideal framework of integration, to have a base with which to compare the actual utilization and integration of non-financial information in Norwegian SMEs. With the literature search I gave the context of the study, giving the necessary overview on the existing literature within the fields of the global sustainability challenges, SMEs and sustainability reporting. After presenting existing literature and chosen theory, an appropriate research approach was developed.

The research was carried out as a quantitative multi-case study, studying five Norwegian SMEs that have a sustainability reporting practice running. The primary source of data was gathered from semi-structured interviews with relevant interviewees from the chosen cases. Supplementary data was retrieved from the case´s sustainability reports and open interviews with relevant institutes and leading interest organisations in the field. The empirical study resulted in two kinds of findings: detailed descriptions of the five cases, and shared patterns that led to the key findings.

I found that all cases investigated agree that companies are obliged to take sustainability responsibility, and all agree that this responsibility should be acted upon. However, how the companies in the study acted from this sense of responsibility varied significantly. Two out of five companies exhibited a strong connection between sustainability reporting, and sustainability performance. They also reported higher profits, better reputation and internal pride. Two other companies had a weak connection between reporting efforts, and their sustainability performance. The final company was in a middle ground, lacking in strategy and targets, but having integrated sustainability metrics in management systems. However, deeper research made an interesting finding. The cases that showed a limited link between sustainability reporting and sustainability performance, had a significant degree of potential non-financial data never being retrieved, measured or documented in the SME. As an example, one of the cases had actually built an incineration plant fueled by renewable energy sources. As

a consequence, one of the sustainability underperformers in the study might in reality have been the highest performer. The high performers were able to both connect, use and showcase their sustainability improvements, reporting increased value for the business. The low performers were unable to identify their own strengths and weaknesses. If the advantages of sustainability leadership continue to rise, the "bare-minimum" strategy might become increasingly expensive, as it fails to account for the positive externalities.

Existing literature finds that motivation to engage in the improvement of sustainability is largely driven by customer need and branding. In contradiction of this claim, I found that two companies exhibited strong endogenous motivation. In support of the same claim, the two remaining companies stated that their main motivation were customer demand and branding, qualifying them as exogenously motivated. The investigated SMEs who are endogenously motivated was realizing measurable and documentable sustainability performance increases through the integration of sustainability reporting in strategy, accounting and management control. The SMEs who are exogenously motivated decided to minimize the amount of effort invested into reporting on sustainability, failing to formulate sustainability targets, modify strategy and integrate sustainability metrics in management systems.

Taken together, the two research questions illustrate the divide between exogenously and endogenously motivated companies. The endogenously motivated SMEs show a strong connection between non-financial information and sustainability performance, while the exogenously motivated fail to link the non-financial information to directly influence the sustainability performance. Hence, for the endogenously motivated SMEs sustainability reporting might bear the potential of being a leverage point; making small repercussions in the business world leading to big changes in the wicked sustainability challenges-system. However, when the SMEs investigated does *not* have the will and the skills to utilize and integrate the non-financial information in their internal sustainability system, the non-financial information bears limited potential of enabling the SME to undergo a sustainability transition. How to change companies' towards being more endogenously motivated comes across as a wicked dilemma; there is no agreement on the nature of the problem, and certainly no clear view on what interventions might work to change their motivation (Rittel & Webber, 1973). How to make SMEs endogenously motivated is yet to be unpacked and understood by future studies.

7.1. Limitation to the study

As always in research, a number of limitations exist for this study and needs to be addressed accordingly. These limitations are related to the transferability, credibility and confirmability of the study, as described by Lincoln & Guba (1985) (Bell et al., 2018).

Transferability: First, the selection of companies for this study was limited to Norwegian SMEs that are familiar with non-financial disclosures, mainly represented within the furniture production industry. Thus, this selection of companies may affect the transferability of the findings. Therefore, it should be taken care in generalizing the findings to other geographical and industrial contexts.

Credibility: Second, the methods used for the multi-case study was mainly data collected by interviews. Even though the interviews were supported by analysing data from the cases´ sustainability reports, and further, supported by interviews with institutes and interest organisations, there might be important communication that was not collected and analysed in this study.

Confirmability: Third, even though the findings have been supported by institutes and interest organisations, and further, been read and edited by the interviewees, the analysis was mainly conducted by only one researcher. This gives findings that have been interpreted by mainly one researcher. Although the research process was documented with care and detail , it is possible that another researcher would interpret some of the messages in a different manner, thus leading to different results.

7.2. Suggestions for further research

The findings offer many possible paths for future research, for example by repeating the study with another industry, another geographical context, switching company size studied or expanding sample size, both by increasing interviewees within the case and by increasing the number of cases studied. It is mentioned above that the broad focus of the topic was necessary in order to understand the linkages and interplay between the concepts, however, it would be interesting to create studies specifically investigating one linkage between two concepts. It would be relevant to understand the detailed reasons and underlying dynamics that a broad study like this might overlook. Further, I believe that detailed knowledge about each linkage would accompany the findings of this study well. Another study that would be interesting to conduct would be a mixed research design aiming at understanding SMEs sustainability measures. Conducting a study investigating the quality of the non-financial information

qualitatively and quantitatively, would give a more accurate understanding of how SMEs in Norway *actually measure* sustainability, and possibly help to unfold the puzzle of how to make SMEs disclose quality non-financial information.

From my findings I believe we can see that it is not the measurements itself leading to increased sustainability performance, but it serves as a useful tool and a catalyst when rigging the company towards increased sustainability performance. Thus, I argue that there is a link between increased sustainability performance and non-financial information, and that this link is a potential accelerator towards sustainability performance increase in Norwegian SMEs. I have found that this potential is resonating with the interviewees in the five Norwegian SMEs investigated as well. However, *how* to fulfil and reach this potential is still unknown and I call for future studies to unpack this further. Hopefully, the insights of this study will be useful building blocks of these future studies.

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9. Appendixes

9.1. Today´s sustainability reporting practice presented as a system map

The visualization under presents a system map summarizing and synthesizing the findings of the literature search, visualizing the interconnectedness, linkages and causations leading to insufficient and low-quality non-financial information. The map suggests three root-causes for

why sustainability reporting leads to insufficient sustainability performance for the reporting SME, represented by the squares with letters on; A; Internal capacity for SMEs, B; insufficient standardisation and C; insufficient integration of non-financial information. and harmonisation. Square A, B and C has been reviewed, presented and covered in the thesis.

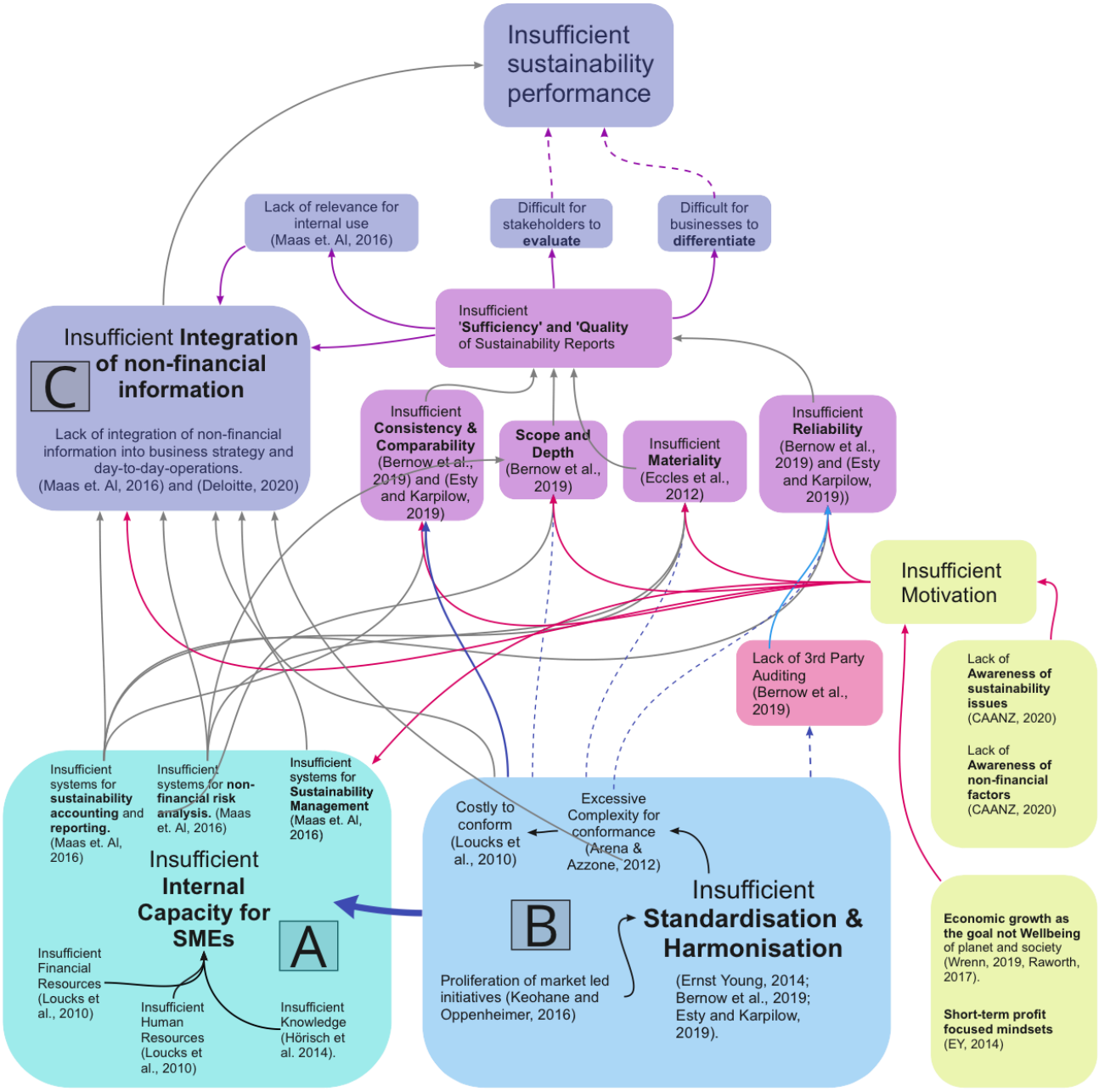
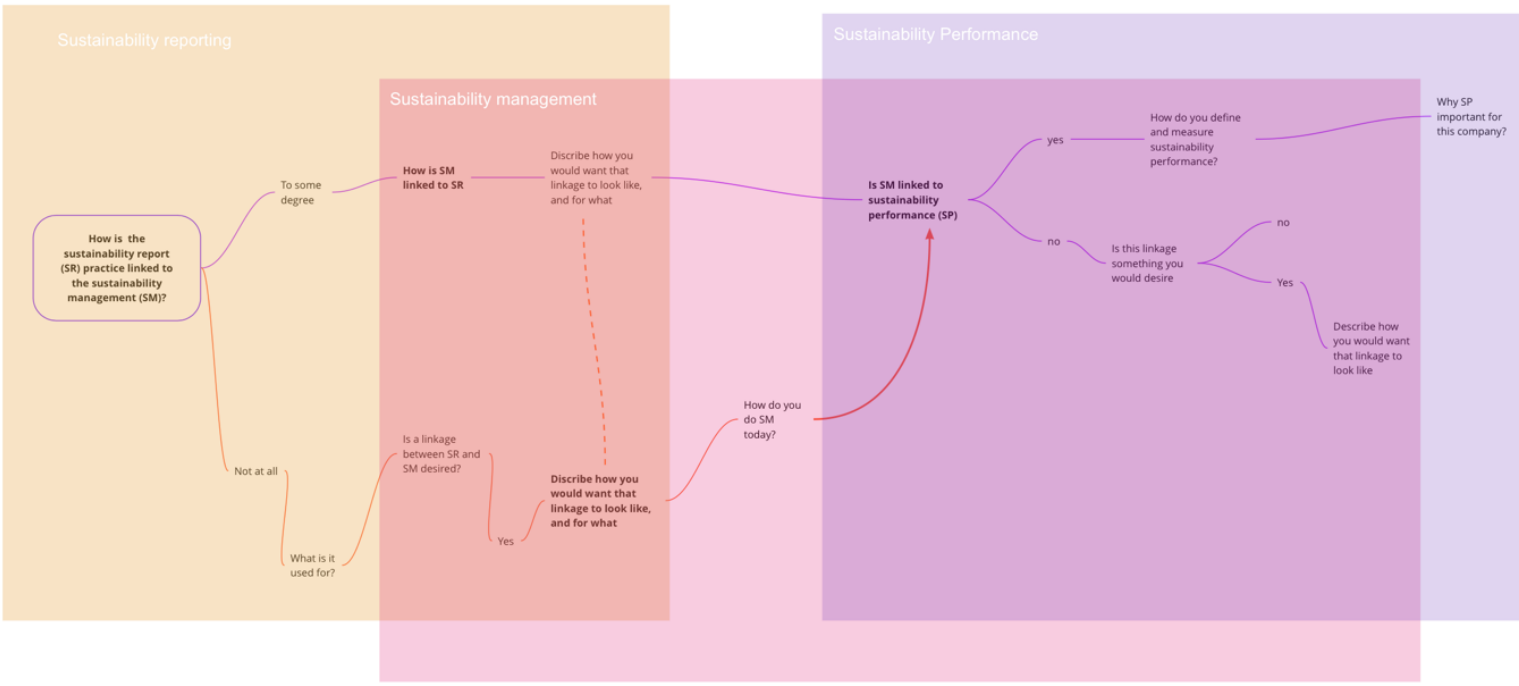


Figure: System-map: how today´s sustainability reporting practice does not to lead to increased sustainability performance.

(Arena & Azzone, 2012), (S Bernow et al., 2019), (Chartered Accountants Australia and New Zealand, 2020(CAANZ, 2020)), (Deloitte et al., 2018), (Eccles et al., 2012), (Ernst & Young, 2014), (Esty & Karpilow, 2019), (Hörisch et al., 2014), (Keohane & Oppenheimer, 2016), (Loucks et al., 2010), (Maas et al., 2016), (Raworth, 2017), (Renegade Inc, 2019), (Renegade Inc, 2019)

Interview-structure



9.2. Interview guide

The rest of the interview guide will be in Norwegian as all the interviews was conducted in Norwegian. Sorry, for the possible inconvenience this might have fot the reader.

1. Om prosjektet

Hvem er jeg:

Jeg skriver master på NMBU, siviløkonom med fordypning sirkulærøkonomi og bærekraftsledelse.

Prosjektet:

Masteren er en del av utviklingen av en standard for små og mellomstore bedrifter for Regnskap Norge. Funn fra dette intervjuet vil mest sannsynlig brukes inn i innovasjonsfasen av standarden.

For denne timen, trenger du kun å forholde deg til at intervjuet skal bidra til masteroppgaven min. Jeg undersøker bedrifters faktiske bruk av bærekraftsrapporten, og om bærekraftsrapporten i dag medvirker i å forbedre bedriftens bærekraftsresulateter. Fra ekssiterende literatur ser vi at det er blitt gjort lite forskning på hva bærekraftsrapporten blir brukt til internt, og det ønsker jeg å dykke inn i. Som et eksempel på hva jeg mener med internt bruk av bærekraftsrapporten kan jeg komme med et eksempel. En bedrift har en bærekrafts-strategi, denne strategien blir omgjort til håndterlige mål. Deretter får målene initiativer knyttet til seg for å nå målene. Rapporten reflekterer strategien ved at den rapporterer på oppnåelsen av de håndfaste målene bedriften har satt seg, som igjen ble skapt i tråd med strategien. Rapporten er videre integrert i interne prosesser ved at, rapporten blir synliggjort for bedriftens interessenter, som igjen gir tilbakemelding på hva i rapporten som var aktuelt for dem. Denne feedbacken går så videre tilbake til strategien og målene som settes, der feedbacken fra interessentene blir vurdert og eventuelle endringer skjer på bakgrunn av feedbacken som er blitt gitt. I dette systemet er rapporten et tannhjul i et implementert system for å ivareta bærekrafts-aspektet i bedriften. Fra eksisterende litteratur ligner dette eksemplet mer på utopi enn virkelighet, men jeg bruker det kun for å male et bilde av hva internt bruk av en bærekraftsrapporten kan bety.

2. Biografiske data

Navn:
Bedriftens navn:
Antall ansatte:
Stilling:
Hvor lenge ansatt:
Hans rolle i forhold til bærekraft i bedriften:

3. Oppvarmingsspørsmål

Det er mange små og mellomstore bedrifter som skriver bærekraftsrapporter i Norge i dag, likevel er dere er en av få små og mellomstore bedrifter i Norge som har registret deres bærekraftsrapport i et åpent arkiv.

- Nevn den viktigste grunnen for at dere valgte å lage en bærekraftsrapport?
- Hvem tror du har lest bærekraftsrapporten?
- Hvem lagde bærekraftsrapporten?
- Kommer dere til å fortsette og alge bærekraftsrapporter? Hva er grunnen til det?

4. Hovedkategorispørsmål – åpne

Unpack temaene:

- Fortell om hvordan dere bruker bærekraftsrapporten
- Fortell om hvordan dere håndterer bærekraft i bedriften?
- Fortell om hvordan dere definerer og måler bærekraftsoppnåelse i bedriften?

Unpack sammenkoblingene:

- Hvordan er bærekraftsrapporten i dag koblet til den interne håndteringen av bærekraft i bedriften?
    - Beskriv hvordan du mener at denne sammenkoblingen burde sett ut?
- Hvordan er håndteringen av bærekraft relatert til bærekraftsoppnåelse?
    - Beskriv hvordan du mener at denne sammenkoblingen burde sett ut?

5. Forskning inn i spørsmålene – retning og ledende

Fra eksisterende litteratur kan fortelle om en manglende link mellom bærekraftsrapporten og interne prosesser

6. Avslutning

Jeg undersøker om den interne bruken av bærekraftsrapporten fører til økte bærekrafts resultater i små og mellomstore bedrifter. Jeg undersøker også hva bedriften trenger for å kunne få bærekraftsrapporten til å fungere som et omstillingsverktøy som hjelper bedriften til å øke bærekraftsresulateter.

På bakgrunn av denne informasjonen, er det noe jeg burde vite, men har glemt å spørre deg om?

Er det noe du mener jeg burde ha spurt om for å avdekke hvordan bærekraftsrapporten i dag brukes internt?

Er det noe du mener jeg burde ha spurt om for å avdekke hvordan du mener bærekraftsrapporten bør brukes internt?

7. Takk for intervjuet

- Vil du ha det transkriberte tilsendt, slik at du kan lese over å godkjenne?
- Vil du ha en ferdig versjon av masteroppgaven tilsendt?
- Vil du ha mulighet til å ha innsyn for mulige sensitive data du i dag har snakket om?
- Noe du vil tilføye mtp samtykke og informasjon jeg nå har fått fra deg?

Takk for intervjuet

8. Support-spørsmål etter kategori

Bærekraftsrapport

Hvorfor bærekraftsrapportere:

- Hvorfor bærekraftsrapportere
- Kommer dere til å fortsette og lage bærekraftsrapporter? Hva er grunnen til det?

Hvordan bærekraftsrapportere:

- Hvem har laget bærekraftsrapporten?
- Forklar den vanskeligste utfordringen med gjennomføringen av bærekraftsrapporten
- Hva slags hjelp skulle ønske du hadde fått når dere lagde bærekraftsrapporten? / hadde vært brukbar?

Avkastning av bærekraftsrapporten

- Hva får dere igjen fra å bærekraftsrapportere?
- Hvordan har bærekraftsrapporten hjulpet bedriften?
- Hvordan har bærekraftsrapporteringen påvirket bedriften?

Internt bruk av bærekraftsrapporten

- **Fortell om hvordan dere bruker bærekraftsrapporten**
- Hvordan linker bedriften bærekraftsrapporten med interne prosesser?
- Reflekteres bærekrafts-strategien i bærekraftsrapporten?
- Har styret lest bærekraftsrapporten?

Ønsket funksjon av bærekraftsrapporten

- Hvilken funksjon fyller bærekraftsrapporten i deres bedrift?
- Har bærekraftsrapporten fylt den funksjonen du håpet den ville fylle?
- Hvilken funksjon kunne dere ønske bærekraftsrapporten fylte i bedriften?
- Hvilken rolle hadde bærekraftsrapporten fylt i en ideell situasjon for bedriften gitt at bærekrafts resultatet var i fokus?
- Hvordan endrer denne rollen seg dersom profitt er fokus?
- Hva hadde små og mellomstore bedrifter trengt for å integrere rapporten på en hensiktsmessig mate I bedriften?

Stakeholder engagement

- Hvem har lest bærekraftsrapporten?
- Hvem burde ha lest denne rapporten?
- I hvilken grad er utforming av bærekraftsrapporten styrt av hva interessenter forventer?
- I hvilken grad er utformingen av bærekraftsrapporten styrt av hva dere tror interesser forventer?
- Hvordan vet dere hva slags informasjon interessentene trenger
- Har de en interessent-dialog kjørende for å vite hvilken informasjon interessentene er interessert i at de inkluderer i rapporten?
- Har dere kontakt med interessenter i forbindelse med utformingen av bærekraftsrapporteringen deres?
- Er rapporten forståelig?
- **How can we communicate to internal and external stakeholders to make sure they are informed?**

Bærekraftsrapportens innhold:

- Mener du at bærekraftsrapporten i dag reflekterer presist bilde av bærekraftsituasjonen bedriften i dag befinner seg i?
- Hvordan har dere kommet frem til materialiteten?
- **Mener du at bærekraftsrapporten har inkludert riktig materialitet for den bransjen bedriften er i; Er disse målsetningene fornuftige for bransjen de er?**
- Er det noe du mener bærekraftsrapporten mener mangler å inkludere dersom dens formål utelukkende var å rapportere et mest mulig presist bilde?
- **What are the social and environmental issues we are exposed to?**
- Dersom bærekraftsrapporten utelukkende skulle gjengi et mest mulig presist bilde av bedriftens bærekrafts-situasjon – ville du gjort noe annerledes med dagens rapport?
    - Dersom bærekraftsrapporten utelukkende skulle gjengi et mest mulig presist bilde av bedriftens bærekrafts-situasjon – hvordan ville du endret interne prosesser for å bruke bærekraftsrapporten med et slikt formål?

- **I hvilken grad mener dere at bærekraftsrapporten er koblet til bærekrafts-prosesser i bedriften? Plasser deg mellom 1 - 6**

1-3:

- **Hvordan er den i dag koblet til interne bærekrafts-prosesser i bedriften?**
- **Hvordan definerer du en situasjon der bærekraftsrapporten er tilfredsstillende integrert i bedriften?**
- **Er denne koblingen ønsket?**
- **hva hadde dere trengt for å kunne integrere bærekraftsrapporten av en tilfredsstillende grad?**
- **Hvorfor tror dere at det finnes et gap mellom bærekraftsrapportering og bærekrafts-organisering?**

4 – 6:

- **Hvordan definerer du en situasjon der bærekraftsrapporten er tilfredsstillende integrert i bedriften?**
- **Hvordan er den i dag koblet til interne bærekrafts-prosesser i bedriften?**
- **hvordan har dere fått dette til?**

- **hva er deres teori om hvordan og hvorfor de har fått det til**

Uten bærekraftsrapport

- Har dere avdekket informasjon og målingen rundt non-financial data?
- Hvordan har dere kommunisert internt non-financial data?
- Hvordan har dere kommunisert eksternt non-financial data?

Bærekrafts-organisering

- **Hvordan organiserer bedriften seg for bærekraftsrelaterte oppgaver/ initiativer/ beslutninger?**
- Hvordan manifesterer bærekrafts-strategien seg I bedriften?
- Har bedriften håndfaste og forståelige bærekraftsmål?
- Hvordan arbeider bedriften for å nå disse målene?
- Hvilke bærekraftige aktiviteter har bedriften I dag?
- Samsvarer strategi med faktisk arbeide I bedriften når det kommer til bærekraft?

- Hva er en bærekraftsrapport?
- Hva er en bærekraftstrategi
- Hva er bærekrafts-accounting
- Hva er bærekrafts management control?
- Which of these aspects are relevant for our business and how can they eventually be linked and integrated?
- Which of these aspects are strategically relevant for our business and how can they eventually be linked and integrated?
- How can we develop an accounting system to collect (ac-counting based) data to manage sustainability (management) accounting and related performance measurement?
- How can we develop adequate formal and informal controls to support the achievement of our sustainability objectives?
-
- Hvem tar bærekraftsrelaterte beslutninger I bedriften?
- Føler du at bedriften arbeider tilstrekkelig med bærekraftsrelaterte inititativer I dag?

Sustainability performance

- **Hva betyr bærekraft her, i denne bedriften?**
- Hvordan måler dere bærekraft?

- Har bedriften håndfaste og forståelige bærekraftsmål?
- Hvordan arbeider bedriften for å nå disse målene?
- Betyr bærekrafts forbedring noe for bedriften?

- ***Hvordan hadde det tjent bedriften å organisere seg rundt bærekraftsrelaterte prosesser for å øke bærekrafts resultatet I bedriften?***
- ***Hvordan spiller bærekraftsrapporten en rolle I dette scenarioet?***
- **Hva gjør bedriften I dag?**
- **Hva mangler bedriften å gjøre for å komme dit?**
- **Tror du bedriften ønsker å gjøre dette?**
- **Hvorfor gjør ikke bedriften dette?**
- Har bærekraftsrapporten forbedret bærekraftsresultatet til bedriften? Hvordan da?

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