UNIVERSITETET I AGDER

Stakeholder Demand for Sustainability Reporting

Changing the Direction of Norwegian Energy Companies

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Acknowledgements

The task of developing a master's thesis seemed insurmountable in the early parts of the semester, but through a solid partnership and continuous planning, we are finally able to present our master's thesis which marks the end of a five-year master's programme which has taken us from Østfold University College to the ends of the earth in the United States and Australia, before finalising the degree at University of Agder.

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Abstract

Purpose: The environment is deteriorating, and businesses are one of the main causes alongside energy consumption. This will require action sooner rather than later and this paper aims to answer questions related to the sustainability reporting and how it can be leveraged to improve strategic performance as well as improving the level of sustainability within the company. Our paper builds on accepted theory within the fields of stakeholders, strategy, and sustainability, but shines a fresh light on the topic as it combines the fields rather than researching them separately.

Method: We conducted a qualitative semi-structured interview of six informants from six different Norwegian energy companies. This cross-sectional study was conducted over a three-week period using the communication tool Microsoft Teams where we had ten prepared questions and two interviewers sharing the semi-moderation of the interview process. The research was exploratory in nature as its aim was to further academic research without concrete foundations being laid beforehand

Findings: This paper took on the demand for sustainability reporting for Norwegian energy companies. Stakeholders' roles are discussed in terms of who are influencing and are influenced by a company's sustainability reporting. Our main findings were as following:

Investors are perceived as the most pressuring stakeholder. However, customers, NGOs and employees are some of the major stakeholders that increasingly demand sustainability reporting. The research found evidence that good sustainability reporting increases the company's differentiation from competitors, sustainable companies can attract higher levels of competencies from new employees as it is viewed as attractive.

Limitations/value: The paper seeks to provide value to scholars interested in furthering academic research in the field of sustainability reporting, stakeholders, and strategy. Additionally, the findings presented holds value for sustainability managers within energy companies, while we argue the relevance for all companies facing the challenge of sustainability.

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1. Introduction

Sustainability reporting has gained increased focus to which reporting agencies, standards and regulations are being made. The rise of a singular, dominant sustainability reporting standard is discussed to the extent of whether there ever will become a universal framework (Bose, 2020). The competition is intensifying where big financial reporting agencies are competing against newcomers in a saturating market. Companies are adopting new strategies in their business models, and innovation is making new paths to capturing value and new positions for existing companies. The demand side of sustainability reporting are stakeholders of diverse needs and positions. The term stakeholder is common for many influencers of which are in contact with the company either directly, indirectly, and externally or internally (Jakhar, 2017). Customers, governments, investors, employees, rival companies, local communities, and environmentalists are examples of stakeholders that typically influence or are impacted by the value created by a company (Jakhar, 2017; Awan, Kraslawski, & Huiskonen, 2017; Marques, Bernardo, Presas, & Simon, 2019). Stakeholders can influence or be influenced by the actions of the company (Friedman & Miles, 2006; Freeman R. E., 1984, p. 46), and there are stakeholders that are in significant need of non-financial information when making decisions of risk. A broad spectrum of frameworks for non-financial reporting involves different typologies and categorizations of views of sustainability (Bose, 2020, p. 17).

Energy is used by all companies, companies operating closer to the production and sourcing of scarce resources and energy consumption are questioned on their sustainability performance. Energy is the main contributor to climate change (United Nations Environment Programme, n.d.), and a necessity for economic systems and to life (Harris & Roach, 2018, p. 269). Improving a company's sustainability performance can be done by reducing pollution, adjusting energy usage, or eliminating waste by improving the company's circular capabilities and incorporating measures to reduce usage of finite resources (Amankwah-Amoah, 2020, p. 6). Although the list is not fulfilling, improvements of sustainability performance is of high importance within the energy sector, and the measuring and reporting of this data.

We have structured the paper into seven chapters: The first chapter takes on the issues to be discussed, and the developing of our research questions along with the scope of research. Our paper will look closer at stakeholders' demand for sustainability reporting, where we introduce two research questions that will be addressed through a second chapter, the literature review. The literature review specifies three main topics: Stakeholders, Strategy, and Sustainability.

These are connected in chapter three and four which involves the specification of the energy sector and our methodology. We then provided our findings in chapter five and discussed the results in chapter six before concluding our paper in chapter seven.

1.1 Purpose of the report

The purpose of our master's thesis is to address stakeholders' demand for sustainability reporting by building on some key concepts in business: stakeholders, strategy, and sustainability through the form of sustainability reporting. The background of selecting this topic was reasoned to an increased focus from the university during the master's degree and the development of a personal interest during the degree. Another motivational factor in the creation of this thesis was the real-world relevance of environmental change and its crucial impact to the planet's continued survival, however, without profitable companies, the global economy would descend into a deep recession. Therefore, this thesis aims to further the current research on how companies tackle issues related to sustainability within their company, which stakeholder groups drive this change, and how companies can leverage strong sustainability into competitive advantage. The intended audience for this report is decision makers and sustainability managers in organisations that struggle with the abundance of sustainability reporting, and to help addressing any advantages of spending time and money on conducting sustainability reporting. We specifically question whether sustainability increases competitive advantage and are interested in understanding the demand for sustainability reporting.

Sustainability has become a well-established term over the previous decades, and there is an increasing load of evidence to tell the story of a planet and environment that is quickly deteriorating and in need of rapid change. To tackle this issue, companies are at the forefront as the actors who has the largest potential for change. By conducting this study, we hope to provide sustainability managers, as well as workers in general, a more holistic view on sustainability reporting and its role for the competitive performance in a company. In addition, we seek to provide them with increased information on stakeholder pressure and map the important stakeholders.

In addition to presenting companies with the gathered knowledge, we see benefits arising for the stakeholders of the company as we help create a clearer picture of their needs and demands which should result in improved sustainability reporting and performance based on the set requirements.

Based on the initial search for a relevant thesis, we identified the energy sector as a crucial one to investigate as energy is a necessity for economic systems and to life (Harris & Roach, 2018, p. 269). According to the Sustainable Development Goals report, energy is specified as the main contributor to climate change (United Nations Environment Programme, n.d.). Due to the importance of the sector, this was a natural place to investigate. While this places a limitation on the thesis, we argue that some of the findings may be relevant to other sectors facing sustainability demand. Sustainability reporting appears a forgone conclusion in terms of legislation to be put in place within few years, therefore the issue risen during this thesis is of importance to all companies who fall under this legislation.

1.2 Issues to be discussed

This paper revolves around three overarching topics: Stakeholders, Strategy, and Sustainability. For most of the paper, we will separate the terms and explain the focus and purpose of each before we continue the exploration of our paper's purpose: to address stakeholders' demand for sustainability by building on key concepts in business strategy, stakeholder theory, as well as environmental sustainability through the form of sustainability reporting.

Stakeholders are all groups of people or organisations that impact or may be impacted by the company's actions (Freeman R. E., 1984, p. 46). Most early scholars have presented shareholders as the most impactful and the one companies consider when developing its strategy. Stakeholder theory has developed into much more than only shareholders, to the extent of massive stakeholder maps created by companies. The research discusses which stakeholders are most impactful, and who is most important in the eyes of sustainability workers in companies. Understanding the role of stakeholders can help scholars and professionals to keep investigating the connection between sustainability performance and competitive advantage.

Strategy is another crucial aspect of the research as it connects stakeholders to sustainability. It will be difficult for a company to achieve environmental sustainability without being economically sustainable, at least in the long run, there is a need to connect the sustainable innovation of sustainability reporting to the concrete goal of strategy; competitive advantage (Johnson, Scholes, & Whittington, 2008, p. 3). Sustainability as a topic has evolved quickly since the 1987 Brundtland Report which helped create guiding principles to further the academic research within the topic (Brundtland, 1987).

While the research on sustainability itself is now vast and well documented, we felt the need for further investigation within several contexts, sectors, and research fields. A crucial part of ensuring improved sustainability performance among companies is to improve transparency, sustainability reporting is a way to present all stakeholders with relevant information regarding the company's progress towards sustainability. While this may be viewed as enforced additional labour and costs to the company, we will present the opportunity companies have at leveraging this into a strength.

There are a few academic papers that have encouraged and helped guide this paper:

1. "Corporate ESG reporting quantity, quality, and performance: Where to now for environmental policy and practice?" (Arvidsson & Dumay, 2021).

This paper presents a link between environmental, social, governance (ESG) reporting issues, which is part of sustainability reporting, and strategic performance but presents a research gap where changing consumer preference (stakeholders) are driving improved ESG performance.

2. "Understanding sustainable innovation: A systematic literature review" (Cillo, Petruzzelli, Ardito, & Del Giudice, 2019).

This paper provides a literature review of the term sustainable innovation, a path to innovation that is longer than the conventional route, meaning that this form of innovation will require protective spaces, or niches during a transition phase. A main issue presented is how long- and short-term returns shape decisions regarding sustainable innovation projects. As sustainability reporting is not something which is expected to be beneficial in the short term, it is crucial to investigate the decision-making process regarding these types of projects.

3. "Evolution of ESG Reporting Frameworks" (Bose, 2020).

The increasing diversity of sustainability frameworks is questioned to serve its purpose, or if there should be a standardised framework. We found it interesting to discuss whether a single global standard is likely to ever dominate the provision of sustainability reporting. In addition, the complex information that are served to stakeholders and decision makers calls for categorising the different frameworks to avoid misjudgements and distortion of information that nobody is fully able to navigate. One of the questions we discussed prior to the research was how current companies deal with the abundance of sustainability reporting frameworks, especially in terms of costs, focus, and emphasis.

1.3 Research Questions

Derived from the overarching topics, we have created two research questions that this paper will discover. To guide the direction of our paper, we have specifically created the following research questions (RQs):

(RQ1*): Which stakeholders are perceived as the most important by decision-makers in matters relating to sustainability?*

(RQ2*): Does sustainability reporting improve competitive advantage?*

1.4 Research methods

The following literature review was made by finding academic research through the search engines of Google Scholar and Oria. When sifting out the relevant research, we would search for key terms that fit the research problem and would critically review the articles based on several factors, including the journal of publishment, citations, and year of publishment. We found both new and older relevant sources that were used as they laid the foundation for our research. When searching for literature on strategy, we found older sources with academic support from researchers and previous lectures. Prior literature findings on sustainability were focused on the more recent, which we specifically filtered articles from 2015 or newer as more relevant to our paper. In addition to academic papers, we would use reports published by organisations and some energy companies that were considered relevant. We acknowledge that our search for previous literature might be biased due to the following main reasons: 1) Our collection from previous lectures depends on the lecturer(s) provision and interpretation of data 2) Oria and Google Scholar are two academic search engines which impact the search results based on their algorithms. We could have used more search engines to reduce the potential bias of a one specific search engine 3) We mainly looked up English texts which limits the academic literature to English-only texts, which further could bias our findings.

The study we conducted was qualitative. The mentioned research questions and four additional guiding questions would lay the foundation for a semi-structured interview on companies within the energy sector. The goal was to interview informants with responsibilities in either sustainability or communication within Oslo Stock Exchange-listed and publicly owned energy companies. The interview was a cross-sectional study with participants that were knowledgeable about their company's sustainability initiatives.

1.5 Scope of Research

While the pressure companies are facing when it comes to sustainability is clear, it is unclear which stakeholders are most important to companies and what motivational factors exist for companies to improve its sustainability. The aim of this study is to understand which stakeholders pressure companies to improve their sustainability. Using the tool of sustainability reporting, we aim to answer this question, in addition to investigating whether improved sustainability can be considered as a strategic competitive advantage.

The following study has been limited to focus on sustainability reporting in the Norwegian energy sector. This limitation was made under the assumption that the problem statement is of utmost importance to this sector and that the possible informants would be highly qualified to answer the research questions. In addition, there were made limitations to the type of sustainability we considered most relevant. In this paper, environmental sustainability will be referred to as sustainability unless otherwise explained. However, the importance of understanding the role of economic and social sustainability and its impact on environmental sustainability is important and crucially interlinked, which is why we include these aspects in the literature.

Environmental, social and governance (ESG) sets specific criteria on environmental, social and governance systems and the term sustainability may involve economic, social, and environmental aspects. However, we are considering ESG as part of sustainability in this paper, and when conducting interviews, we specifically ask for environmental sustainability reporting, which is a term mixed by ESG reporting, green reporting, and sustainable reporting. Further, we are specifying the types of sustainability from previous literature and emphasise the environmental aspects of sustainability.

2. Literature Review

2.1 Stakeholders

The traditional view on the company is referred to as the shareholder view, where the owners of the company, the investors, are the focal point when the company decides its strategy and how to create value. Therefore, the only social responsibility of the company is to increase profits (Friedman M. , 1970). Early definitions on stakeholders are foundationally different from the shareholder theory, however, there are still fundamental differences in academic theory.

The first recorded mention of stakeholders come from the Stanford Research institute in 1963 and define a stakeholder as a group who is crucial for the company's continued existence (Freeman R. E., 1984, p. 31). While other definitions specify that stakeholders are groups that can affect or can be affected by the company's actions (Friedman & Miles, 2006; Freeman R. E., 1984, p. 46). Strategic management is the leaders of the company's way of providing the company with a sense of direction, therefore, any group that can affect the company's direction must be considered as a stakeholder (Freeman R. E., 1984, p. 46). While managers do need to understand and appreciate the concerns of shareholders, they must consider the views of its stakeholders to achieve long term success (Edmans, 2020; Freeman & McVea, 2001).

2.1.1 Types of Stakeholders

By considering stakeholders as any group that may, in some way, be affected or affect the company, we realise that this concept has a wide reach. One of the key goals of the stakeholder theory is to identify and to manage the potential risks of having diverse stakeholders with different interests (Frooman, 1999). While a main separation of the concept of stakeholders is to differentiate between external stakeholders and internal stakeholders, there is a more recent study that includes a primary vs. secondary axis and a domestic vs. international axis when identifying stakeholders (Jakhar, 2017, p. 100). When considering external stakeholders, primary stakeholders are customers and suppliers who are in direct contact with the company, while secondary stakeholders include rival companies, media, governments, local communities, and environmentalists (Jakhar, 2017; Awan, Kraslawski, & Huiskonen, 2017). Internal stakeholders include employees and management, investors and shareholders who is directly impacting the work or being impacted by the value created by the company (Jakhar, 2017; Marques, Bernardo, Presas, & Simon, 2019).

A considerable stakeholder that can be the difference between competitors, regardless of sector, is its employees (Jassim & Jaber, 1998, p. 404). The quality of employees, their commitment and satisfaction with the company and their job will have a significant impact on the company's level of productivity and reputation (Jassim & Jaber, 1998, p. 404). Employees are, therefore, a significant part of the company's competitive environment and can be considered as a source of competitive advantage (Jassim & Jaber, 1998).

2.1.2 Pressure from stakeholders

The key attribute of a stakeholder that is most widely recognised in academic literature is power (Frooman, 1999; Mitchell, Agle, & Wood, 1997; Marques et al., 2020). Power that is not exercised is insignificant, and power is the source of influence, meaning that influence is an equivalent of power (Mintzberg, 1984; Roome & Wijen, 2006). Stakeholders are groups that can influence or can be influenced by the actions of the company (Freeman R. E., 1984). Based on this, we can say that stakeholders are groups that hold power over the company. This definition provides a foundational view on stakeholders that they already have power over the company and therefore will be able to influence its operation. Another definition provided explains stakeholder pressure as: "*... the extent to which the focal organisation is held accountable for its actions and decisions regarding product design, sourcing, production, or distribution to stakeholders*." (Wolf, 2014, p. 321).

Due to increasing environmental problems, stakeholders are increasingly pressuring companies to implement sustainable practices in their strategy (Haleem, Farooq, Cheng, & Waehrens, 2022, p. 1092). Investors are found to drive the demand for increased and improved sustainability reporting from companies to further understand the company's role in sustainable development (Arvidsson & Dumay, 2021, p. 1092). Companies are simultaneously preparing for incoming legislation on sustainability reporting, meaning that the government is imposing an indirect pressure for companies to be prepared (Arvidsson & Dumay, 2021, p. 1092).

2.1.3 Corporate Social Responsibility

> "*There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception fraud.*" (Friedman M. , 1970).

The citation explaining the initial idea of a corporation's social responsibility (CSR) were the opening line of the introduction in Alex Edmans' (2020) book: "Grow the Pie". Edmans does not fully agree with this view however, as he suggests a much greater view on the corporation's responsibility towards all stakeholders, including shareholders, employees, the environment, policy makers, and society (Edmans, 2020, pp. 26-29). Edmans (2020) introduces what he refers to as the "pie-splitting mentality", a view that places a company's purpose in opposition to its profits, meaning any value created for society, will have to result in a reduction of value for shareholders.

An opposing view is named as the “pie-growing mentality” where companies can focus on its social responsibility while creating long-term value for its investors, which is evidenced through a thorough research on companies with excellent employee satisfaction (Edmans, 2020, pp. 26-27). The “pie” in question refers to the total value created for society, this includes profits for investors, livelihoods for employees, taxes for the government, customers for suppliers, utility for their customers and so on (Edmans, 2020, pp. 17-19). This entails that if you seek to split the pie into as favourable as possible for investors, you will inevitably have to lessen the value for the other stakeholders, but by innovating, nurturing your workforce and building better products, you may be able to grow the pie. In addition to growing the pie, you want to ensure that no members’ slice of the pie grows smaller, however, this trade-off may be difficult to manage (Edmans, 2020, pp. 36-37). Edmans argues that Friedman’s initial ideas and statement may seem simple, but in fact are much more nuanced than often perceived (Edmans, 2020, pp. 56-57). Evidence of that lies in Enlightened Shareholder Value which has moved past the stakeholder-shareholder divide and understands that investing in the company’s stakeholders is crucial for long term profitability, however, the focus still lies on maximising profits, while Edmans and his “pieconomics” focuses on maximising societal value (Edmans, 2020, p. 57; Ho, 2010).

2.1.4 Profitability Versus Purpose

Finance allocates funding to its most productive use and can play a leading role towards accelerating sustainability in companies (Schoenmaker, 2017, p. 19). According to the much-debated Friedman-Freeman controversy, Milton Friedman stated that businesses cannot be said to have responsibilities: it is the individuals who are to be responsible (Friedman M. , 1970). In the article: “The social responsibility of business is to increase its profits” (Friedman M., 1970), Friedman argued that spending or changing a company’s profits towards reducing pollution would negatively impact shareholders, and therefore social responsibility of businesses should be only to increase profits, as the title of his paper would suggest. Further, social responsibility is a matter of personal actions. R. Edward Freeman’s theory as a contrary, suggests that success is achieved when satisfying all company’s stakeholders (Freeman R. E., 2013). Following Adam Smith’s theory of the invisible hand questions whether society in fact will benefit from self-interests are brought to light in matters of sustainability (Smith, 2012).

A good strategy is necessary in times of uncertainty. In environmental economics, externalities refer to the effect of production of goods which imposes costs or benefits to its surroundings that are not involved with the producer (OECD, 2003). Uncontrollable variables as such are the reason for companies to adopt responsive strategies. Most early warning models that deal with strategic risk (uncertainty) focus on financial factors, although sustainable innovation involves a diverse group of non-financial factors (Duan, et al., 2021, p. 10). Many recent studies believe the outcome of changes from the Covid-19 pandemic will increase the focus on sustainability and trigger digital long-term solutions that will increase business responsiveness and sustainability practices (Kanda & Kivimaa, 2020; Gregurec, Furjan, & Pupek, 2021). A literature review on behavioural science describes a gap between consumer behaviour and sustainability (White, Habib, & Hardisty, 2019). As the current effects from the Covid-19 pandemic is still being written, the dynamic environment has knowingly increased pressure on companies by fair trade, energy consumption labels, accounting and transparency standards, forest certification, and emissions trading (Eberlein, Abbott, Black, Meidinger, & Wood, 2013, p. 2).

2.2 Strategy

Strategy holds its roots in military and refers to the placement of troops prior to engagement with the enemy, one wishes to have the best possible position. For a company, the same values hold true, the strategy should guide everyone in the company to their best possible position to achieve the desired outcome, which in the case of a company, is competitive advantage (Johnson, et al., 2008, p.3). Johnson et al. (2008) defines strategy as:

> "*… the direction and scope of an organisation over the long term, which achieves advantage in a changing environment through its configuration of resources and competences…*" (Johnson et al., 2008, p. 3).

A company is only able to outperform its competition if it can deliver greater value to the customer or comparable value at a lower cost (Porter M. E., 1996, p. 38). The competitive strategy is deployed for the company to differentiate itself and provide a unique value to the customer compared to competitors (Porter M. E., 1996, p. 39). Before formulating a strategy, the company needs to perform a thorough analysis of several external and internal factors. The market-based view focuses on the external factors and considers the industry environment when trying to locate an attractive industry which holds potential for the company to leverage its strengths to competitive advantage.

This view argues that the success of the company, its ability to create competitive advantage, is dependent on the environment it operates in. This view is often said to spur out of the 1979 Michael E. Porter article in the Harvard Business Review: “How Competitive Forces Shape Strategy”, where Porter introduces the five forces that explains the state of competition within the industry (Porter M. E., 1979):

- Bargaining power of suppliers.
- Bargaining power of customers.
- Threat of new entrants.
- Threat of substitutes.
- Industry rivalry among competitors.

If the collective strength of these forces is high, the margins for profitability are smaller (Porter M. E., 1979). The strength of the suppliers is high if the supplier group consists of fewer companies than the industry in question, the product of the supplier is differentiated and difficult to acquire from a different supplier or if there is significant switching costs related to changing suppliers (Porter M. E., 1979).

Concentrated or large quantity buyers will have higher power as they provide a significant income to the companies in the industry. Buyer power is in addition increased when the product from the industry are standardised and easily replicated by other companies in the industry, if the product provided by the company is not significantly important to the buyer’s product or service which will make the buyer increasingly price sensitive, or if the buyer poses a threat to integrating the production of the product provided by the industry in their own value chain and produce the necessary products themselves (Porter M. E., 1979). As suppliers and buyers can hold significant power over the company in question, the company should treat the decision of who to sell to and who to buy from as an important strategic decision (Porter M. E., 1979).

New entrants to the industry bring new capabilities and another competitor who will want to win market share from the existing companies, however, entering a market from nothing has significant challenges (Porter M. E., 1979). Established economies of scale will force new entrants to produce at a large scale initially or accept that they will have a cost disadvantage, this can be one of the reasons for another barrier which is the requirement of capital necessary to compete, this includes advertising, production costs, fixed costs, and R&D costs in the start-up phase (Porter M. E., 1979).

Customer loyalty can be a strong force for existing companies and may be a difficult barrier to overcome for new entrants as they will struggle to differentiate their product when its perceived quality is lower, and it is produced at a cost disadvantage as a result of the company's size and the existing economies of scale (Porter M. E., 1979). A fully rational consumer will investigate the price-to-utility ratio between the existing product they consume and substitutes and alternatives, companies that are in industries with high profit margins are more susceptible to substitutes as there is more of an incentive for other companies to create an alternative with a better price-to-utility than the existing product (Porter M. E., 1979).

Rivalry among the existing companies can be more visible for management and a major source for strategy development as it relates to positioning the company within the industry (Porter M. E., 1979). This force will be stronger if there are more and equal competitors, if there is not significant development in industry growth and market share remains at the same level, competition over the existing market share will be significant (Porter M. E., 1979). If the product in question is difficult to differentiate, the companies will have to break free from each other through other means including advertising or different strategic focus points (Porter M. E., 1979).

The opposing view to the market-based view is the resource-based view, which focuses on the company's internal resources and capabilities which can be hard for competitors to imitate (Wernerfelt, 1984; Barney, 1991). This view assumes that the difference in resources and how they are utilized form the basis for the strategy and the creation of competitive advantage. In terms of strategically positioning the company through an analysis, this view focuses on what the company itself does well and what it does not do well; its strengths and weaknesses (Barney, 1991). Barney (1991) argues that the five forces model and the market-based view, or the environmental model makes certain assumptions that does not hold true in practice, including the assumption that all companies in the market are heterogenous in the resources they possess. The market-based view assumes that advantages through internal resources are easily replicated or easy to acquire and that they therefore will not be long-term advantages (Porter M. E., 1979; Barney, 1991).

By combining the two views you arrive at a strategic tool that can be useful for managers as it provides a framework for how you want to position your internal capabilities, your strengths and your weaknesses, with the external opportunities or threats to best deal with them and achieve sustained competitive advantage over the competition (Barney, 1991, pp. 100-102).

Just like the five forces model, the SWOT-model is praised and criticised for its simplicity and the argument arisen declares that the SWOT-analysis should be a group activity and a management development tool as opposed to a strategic tool (Pickton & Wright, 1998, p. 101).

McGahan and Porter (1997) have attempted to explain the variance of the company's profitability and have found that approximately 20% of the variance is due to the industry and 31% of the variance is due to internal factors within the company (McGahan & Porter, 1997, p. 29). What we can tell from these findings is that there is a middle road to be taken for managers when developing the strategy, as both the industry the company operates in, and the unique resources the company possess will influence the company's profitability. Dynamic capabilities address to what extent the company can obtain new resources while exploiting its existing ones, this is important to tackle the issue of a rapidly changing environment (Teece, 2018, p. 43). Dynamic capabilities and the concept of ambidexterity will be further investigated later in the review.

"*The essence of strategy formulation is coping with competition*" (Porter M. E., 1979, p. 137). Based on the analysis of the firm's capabilities and the industry it operates in, management should develop a strategy to guide its operations throughout the different levels of the organisation (Al Daheri, Ameen, & Issac, 2020). Strategy formulation will be the plan that the firm puts in effect to deal with the environment of the industry and the strengths and weaknesses of the firm (Al Daheri, et al., 2020). The strategy will normally be implemented at several levels throughout the organisation, at the top, the corporate level, where the overarching strategy and goals should be communicated, deciding the scope of the firm (Hax & Majluf, 1984). Corporate strategy is often similar to the firm's mission and vision statements. However, strategy should be communicated at the strategic business unit (SBU) level as well as the functional level (Hax & Majluf, 1984, pp. 49-50). At the SBU-level, the strategy should specify how the SBU should exploit the strategy to compete in the given market, and the functional level should explain how the different parts of the organisation should deliver the strategy in more detail (Hax & Majluf, 1984, p. 50). In other words, the strategy formulation should explain how each level of the organisation can best position itself to deal with competitors and gain a competitive advantage (Hax & Majluf, 1984; Porter M. E., 1979).

To achieve competitive advantage, Michael E. Porter (1985) explains that it can be achieved in three ways. Firstly, through cost leadership, i.e., being the cheapest provider of the good in the market. Secondly, by providing a product that is superior to the other products in the market or lastly, to serve a significantly unique aspect of the market, differentiation (Porter M. E., 1985). In addition, the company may decide to focus on a niche in the market that has previously been without any suppliers, this can be done by offering a product that offers completely new features to a new price, meaning the company will only look to supply the demand of that particular niche (Porter M. E., 1985). What Porter explains is that to gain competitive advantage and market share, the company must make a choice of direction as it is highly challenging to pursue several generic strategies (Porter M. E., 1985).

To ensure strategic success, certain measures is implemented to monitor the progress being made towards realising the strategy, however, strategies often fail due to a fault in one of the required stages previously explained, at the implementation stage, a common flaw is to not consider all dimensions of success, something Kaplan and Norton (1996) seeks to fix with The Balanced Scorecard (BSC). The BSC seeks to supplement the control of strategic success by not only focusing on financial success, but to include external and internal perspectives previously discussed, as well as non-financial figures like customer satisfaction (Kaplan & Norton, 1996).

2.2.1 The Business Model

A business model:

> "…*describes the design or architecture of the value creation, delivery, and capture mechanisms a firm employs. The essence of a business model is in defining the manner by which the enterprise delivers value to customers, entices customers to pay for value, and converts those payments to profits*." (Teece, 2010, p. 191).

The business model itself is not a source for competitive advantage, as imitation is often easy, and is dependent on the overarching strategy at higher levels of the firm (Teece, 2010, p. 173). Criticism of the business model idea explains that there simply is no need for it in economic theory, as customers will buy the product if the price is lower than the utility yielded from it, and producers will supply if the price includes a profit (Teece, 2010, p. 175). However, this idea remains academically viable, while not dealing with the increasing complexity of customer needs and expectations.

2.2.2 Innovation

The Oslo Manual, produced by the Organisation for Economic Co-Operation and Development (OECD) and the Statistical Office of the European Communities (Eurostat), defines innovation as:

> "… *the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations.*" (OECD & Eurostat, 2018, p. 46).

This definition is attempted as a broad definition to encompass all innovation types (OECD & Eurostat, 2018, p. 46). Previous literature has had many attempts at capturing the essence of the term innovation, yet we cannot find a universally adopted definition. In an attempt at creating a multidisciplinary definition of innovation, Baregheh, Rowley, & Sambrook (2009) cites several definitions, including Thompson's (1965) simplistic definition: "by *innovation is meant the generation, acceptance and implementation of new ideas, processes, products or services.*" (Thompson, 1965, p. 2; Baregheh et al., 2009, p. 1325). Another place where the literature differs is in different disciplines, where scholars in the field of knowledge management focus on how knowledge is crucial for innovation and that it can serve as its own type of innovation (Baregheh et al., 2009, p. 1326). Du Plessis (2007) follows a similar view:

> "*Innovation as the creation of new knowledge and ideas to facilitate new business outcomes, aimed at improving internal business processes and structures and to create market driven products and services. Innovation encompasses both radical and incremental innovation.*" (Du Plessis 2007, p. 21).

Several scholars have another view on innovation where the technology is placed first, and that innovation is a product of new technology (Nord & Tucker, 1987; Yeşil, Koska, & Büyükbeşe, 2013). Based on the extant definitions of innovation, Baregheh et al. (2009) has developed a model with six equally important attributes of innovation, the model is aimed at capturing the essence of the term innovation regardless of organizational position or context. The innovation process consists of: Stages, Social, Means, Aim, Type, and Nature of innovation (Baregheh et al., 2009, p. 1333).

Stages of innovation is all the steps taken from idea creation through commercialization (Baregheh et al., 2009, p. 1332). Social context of innovation refers to all social systems and groups of people who engage in the innovation process (Baregheh et al., 2009, p. 1332). Means of innovation considers the necessary resources that must be in place to achieve innovation (Baregheh et al., 2009, p. 1332). Nature of innovation considers how the innovation relates to the existing, whether the innovation is new, improved, radically or incrementally (Baregheh et al., 2009, p. 1331). Type of innovation discusses what sort of outcome comes from the innovation, product, service, process, organisational, etc (Baregheh et al., 2009, p. 1331). Aim of innovation is what the organisation wishes to achieve with the innovation (Baregheh et al., 2009, p. 1332). These six components are used by Baregheh et al., (2009) to present their definition of innovation as:

> *"... the multi-stage process whereby organisations transform ideas into new or improved products, services or processes, in order to advance, compete and differentiate themselves successfully in their marketplace.*" (Baregheh et al., 2009, p. 1333)

2.3 Sustainability

Gro Harlem Brundtland defines sustainable development as: *"...to meet the needs and aspirations of the present without compromising the ability to meet those of the future*" (Brundtland, 1987, p. 39). While sustainability has become a pop-culture phenomenon, Hart & Milstein (2003) elaborate in that sustainability is achieved when the present is improved at no cost for future opportunities (Hart & Milstein, 2003, p. 56). There has, however, been a struggle to achieve a uniform definition of sustainability and still there exists different schools of thought, specifically the three-legged approach of balancing economic, social, and environmental sustainability (Morelli, 2011, p. 2).

A core requirement that suits the overarching definition of sustainability holds true with economic sustainability, as Foy (1990) puts it: *"... current economic activities should not result in an excessive burden for future generations.*" (Foy, 1990, p. 771). In a step further, most economies who do not use its materials and resources sustainably will eventually be doomed for failure (Morelli, 2011, p. 4).

Any policy aiming at maximum utility gained from the available resources is not going to be sustainable; and ensuring that the economy does not eat its resources faster than it can be re-generated will be crucial as part of a larger plan (Spangenberg, 2005, p. 58). This shows the interrelation between economic sustainability and the other legs of the three-legged approach.

For an economy to truly be sustainable, it needs to ensure social enhancements for the people living in the economic area. Eizenberg & Jabareen (2017) seeks to combat the lack of empirical and theoretical studies within the concept of social sustainability by proposing a new framework of social sustainability (Eizenberg & Jabareen, 2017, p. 1). There are many factors that contribute to a society's sustainability including the welfare of its inhabitants, attractiveness, safety, accessibility, housing, and urban design, many of which are tangible and may be measured to measure the success of social planning in the area (Eizenberg & Jabareen, 2017, p. 9). A conclusion on the concept of equity, one of the concepts in the framework provided by Eizenberg & Jabareen (2017), in a sustainable society, is that members of the society and economy should have the generated wealth distributed fairly, all member groups should be recognised and not be unjustly treated or overburdened, and that the society ensures widespread participation from all capable adults (Eizenberg & Jabareen, 2017, pp. 7-8). Equity addresses all fundamental issues related to sustainability and is a recognised representative for social sustainability (Eizenberg & Jabareen, 2017, pp. 6-7).

Another fundamental concept in the framework is safety and concerns the right of the society to be protected in vulnerable situations, meaning safety in the context of social sustainability is the degree to which the society is capable of mitigating and removing the risk of vulnerable situations (Eizenberg & Jabareen, 2017, pp. 8-9). Sustainable urban forms, including the infrastructure and design of the society is crucial to ensure sustainability in human well-being, the environment, and the economy, as it relates to protective spaces for humans to excel as well as sustainable and efficient modes of transportation, in turn, promoting a healthier way of living, sense of community and help mitigate risk (Eizenberg & Jabareen, 2017; Jabareen, 2006). Acting to enhancing the eco-friendliness of presumption in the society is crucial to mitigate the risks of environmentally damaging climate gasses (Eizenberg & Jabareen, 2017, pp. 10-11). "Prosumption" was coined by Alvin Toffler in 1980 as a term for someone who both produces and consumes (Toffler, 1980, p. 283). Eco-presumption refers to consuming and producing to gain values, in addition to doing it in a way that ensures environmental and social sustainability (Eizenberg & Jabareen, 2017, pp. 10-11).

2.3.1 Environmental Sustainability

Environmental sustainability has reached an increasing number of audiences, where the SDGs presented a global agenda which explains efforts to be made on both sides of the company. Although it is complex, a defensive view from stakeholders makes SDGs difficult for responsible companies to approach with ease (Tulder, 2018, p. 33). Change to handle the increasing focus on sustainability is an increasing pressure on energy companies as oil and gas products are significant contributors to greenhouse gas emissions (GHG). Business is often considered the main source of environmental pollution with their profit and utility-maximisation behaviour (Lang & Murphy, 2014, p. 3). Growing pressure from stakeholders, including the government, employees, investors, and customers, have made firms increasingly implement sustainable business practices into their strategies and business models to ensure short and long-term improvements in environmentally sustainable performance (Amankwah-Amoah, 2020, p. 6). The main emphasis on improving sustainability performance is on reducing pollution, energy usage, eliminating waste by improving the firm's circular capabilities and incorporating measures to reduce usage of finite resources (Amankwah-Amoah, 2020, p. 3). While firms view the opportunity to implement green business practices to improve competitiveness in the long run as highly attractive, evidence show that the firm can be susceptible to sudden shocks or pressures in the market, causing them to drop environmental obligations to ensure long run survival (Amankwah-Amoah, 2020, p. 2). A current example of a massive pressure on firms is the SARS-CoV-2 pandemic (coronavirus), a crisis that has made sustainability harder in the short run but has opened the door for innovation and the discovery of new practices, including flexible work hours and locations (Davis-Peccoud & van den Branden, 2020, pp. 1-2). The major pressure being posed can make firms deprioritise the environmental agenda which has grown stronger from stakeholder pressure causing the environmental sustainability progress in several industries being pushed back by several years (Amankwah-Amoah, 2020; Davis-Peccoud & van den Branden, 2020).

Where a sustainable economy is dependent on sustainable usage of materials and environmental to succeed, a sustainable environmental system is not dependent on either a society or an economy to prosper, as evidenced in the wild (Morelli, 2011, p. 4). Morelli defines environmental sustainability as: "…*meeting the resource and services needs of current and future generations without compromising the health of the ecosystems the provide them.*" (Morelli, 2011, p. 6). Congruent with the current definitions provided given a slight variation in the relevant system.

Research and development expenditure has shown a significant correlation with sustainability performance (Adedoyin, Alola, & Bekun, 2020, p. 8), meaning investment in innovation and new sustainable methods is crucial to improving sustainability. Therefore, it is crucial to investigate the link between external pressures and firm investment in innovation aimed at improving sustainable performance.

2.3.2 Sustainable Strategies

Scholars are increasingly stressing the sustainability agenda for companies and are pointing to the need of integrating sustainability in their strategies (Egels-Zandén & Rosén, 2015; Galbreath, 2009). Many companies may make small altercations to their activities to fit the sustainability initiatives, but one of the key differentiations between sustainable and non-sustainable companies are their ability to make large-scale changes, which few companies seek or do well when attempting (Eccles, Perkins, & Serafeim, 2012, p. 44). Earlier in the review, the traditional strategy process has been outlined, but more recent findings and the increasing need for sustainable companies shows that this process requires a rethink (Eccles, et al., 2012, p. 50). The traditional strategic process begins with analysing the industry and the internal characteristics of the company while the characteristics of a sustainable company show an effective engagement with external stakeholders and internal employees (Eccles, et al., 2012, p. 46).

The essence of strategy formulation is to cope with competition (Porter M. E., 1979, p. 137), and this holds true with the sustainable strategy as well, however, it mainly considers competitors and investors through increased profits. While there are many stakeholder groups that should be considered as they are considered to hold significant power over the company (Eccles, et al., 2012, p. 46). By learning of and considering the expectations from the stakeholders, the company will develop a “license to operate” and improve its performance for all stakeholders including shareholders (Eccles, et al., 2012; Edmans, 2020).

After formulating the strategy, the company needs to control its implementation and ensure its success, Eccles et al., (2012) find that sustainable companies are good at engaging its employees to ensure that they believe in the cause by having a clearly formulated strategy, but, in addition, by tying tangible goals to the performance of the employees.

The concept of circular economy is one that has caught speed recently and several different definitions and meanings have risen, meaning the academic research is varied leading to a weaker foundation for the concept (Kirchherr, Reike, & Hekkert, 2017, p. 221). The most common definitions include the key activities of reducing, reusing, and recycling of materials (Kirchherr, et al., 2017, p. 224). Based on a systematic literature review on circular economy, Kirchherr et al. (2017) defines circular economy as:

> *"... an economic system that replaces the "end-of-life"-concept with reducing, reusing, recycling, or recovering of materials in the production, distribution, and consumption processes. It operates at the micro, meso, and macro level with the aim of achieving sustainable development by creating environmental quality, economic prosperity, and social equity."* (Kirchherr et al., 2017, p. 224).

This definition emphasizes the need to view circular economy as a system that requires a radical change in mindset from a firm if it is to comply with its requirements as a slight change of the status quo will be insufficient (Kirchherr et al., 2017, p. 229).

The concept of Lean Manufacturing involves the same criteria and the same foundational emphasis on using less resources and eliminating waste in all facets of the value chain (Bhamu & Sangwan, 2014, p. 878). Waste can be defined as activities performed during production that does not add value (Bhamu & Sangwan, 2014, p. 877). Most wastes that occur during production, including overproduction, unnecessary inventory, and motion, overprocessing, defects, transportation and waiting, will lead to a greater usage of energy (Milward & Gilless, 2013, p. 1).

2.4 Sustainable Innovation

Based on the relevant literature that has been introduced, we see that the discussion surrounding sustainability has increased and developed into an issue that is not merely economic, of which being represented by changes in customer demands and stakeholder expectations (Cillo, Petruzzelli, Ardito, & Del Giudice, 2019, p. 1013). Given these fundamental changes in mindset, an innovation should not be seen as a tool to merely generate competitive advantage, but to improve sustainability (Carayannis, Grigoroudis, Del Giudice, Della Peruta, & Sindakis, 2017; Cillo, et al., 2019). Resulting from this is that certain studies may even show companies gaining a competitive advantage by using their social responsibility as an opportunity rather than a requirement leading to profitable innovations (Porter & Kramer, 2006, p. 93).

Cillo et al., (2019) classifies three different schools of thought in their research of sustainable innovation. Many researchers have found that the success of sustainable innovations can be due to internal factors, for example relating to management, marketing, and commercialization (Cillo, et al., 2019; Chen, Chang & Lin, 2014). Other studies have specified the importance of external factors, including relational aspects like external stakeholders (Seuring & Gold, 2013; Cillo, et al., 2019). Based on this literature there has risen an issue of measuring sustainable innovation which is somewhat of an intangible resource (Rauter, Globocnik, Perl-Vorbach, & Baumgartner, 2019). An accepted definition of sustainable innovation is:

"... the development of new products, processes, services, and technologies that contribute to the development and well-being of human needs and institutions while respecting natural resources and regeneration capacities." (Tello & Yoon, 2008, p. 165).

2.4.1 Internal Perspective

Companies are required to pay greater attention to environmental costs of their activities in their management and strategic visions, sustainable innovation is, in some ways, part of the struggle and the solution (Chen, Chang, & Lin, 2014; Cillo et al., 2019).

Longoni and Cagliano (2018) provides evidence of how a company's planning horizon affects its sustainable innovativeness and that companies with longer planning horizons have a greater tolerance of short-term uncertainty and a greater ability to learn from the past (Longoni & Cagliano, 2018, pp. 1104-1107). This results in these companies achieving higher and increasing levels of sustainable innovation, in turn improving the triple bottom line of economic, social, and environmental performance (Longoni & Cagliano, 2018, p. 1105).

Having a longer planning horizon is not simply something a company or company leaders can do; this must be implemented in the strategy and business model. In addition, it must be followed up and ensured continued support from management. A strategic tool discovered in the academic research is Strategic Niche Management (SNM), the SNM approach suggests that a company's sustainable innovation journey can be facilitated through the creation of technological niches, or protective spaces, to allow for continued experimentation (Schot & Geels, 2008, p. 538). The assumption provided is that the creation of these strategic niches can help as building blocks for companies wishing to achieve greater sustainable innovativeness.

However, the research reveals that, even though niches are crucial for success, it cannot be possible on its own, providing evidence that the internal aspect of sustainable innovation must be combined with the external (Schot & Geels, 2008, p. 550). SNM can work as a protective space when companies are presented with outside pressures to achieve short term goals, therefore, it is important the management is able to maintain its long term planning horizon and allow their niches to continue its work uninterrupted (Schot & Geels, 2008; Longoni & Cagliano, 2018). One of the potential issues that may find companies is severe fluctuations in demand pressure.

Radical innovations require a significant overhaul or change to the technology, processes, and outputs of an organisation (Ettlie, Bridges, & O'Keefe, 1984, p. 683). Incremental changes are more continuous in nature and serve the need for constant adjustments and minor changes to keep the existing system running (Cillo et al., 2019; Carrillo-Hermosilla, del Río, & Könnölä, 2010; Ettlie et al., 1984, p. 683). To achieve sustainable innovation, some authors claim that only radical innovations will be sufficient, minor changes that explore existing paths are increasingly understood to not suffice (Carrillo-Hermosilla et al., 2010; Hall & Vredenburg, 2003). If there is a necessity for radical innovation and to explore new paths to achieve sustainable development, this entails that disruptive and radical innovations must be made to qualify as a sustainable innovation (Hall & Vredenburg, 2003, p. 62).

2.4.2 Sustainable Business Model

Another strategic measure that can be taken to achieve greater sustainable innovation is implementation of the concept in the company’s business model. Sustainable development requires radical and systemic innovation, which can be studied easier when built on the concept of business models (Boons, Montalvo, Quist, & Wagner, 2013, p. 1).

This concept will present companies with a more holistic framework that helps envisioning and implementing sustainable innovations as well as providing an analytical tool to help researchers compare companies and their creation of environmental, social, and economic value (Boons et al., 2013, p. 1). Boons et al., (2013) proposes that sustainable business models (SBMs) have the potential to bridge the gap between radical and systemic sustainable innovation and firm strategies, including multi-level economic performance (Boons et al., 2013, p. 3). The concept of business models highlights certain issues that are related to sustainable innovation.

The exchange of value is the whole point of firms and customers, the value proposition is often taken for granted, but to ensure an SBM, there must be a balance between economic and environmental values that align with the strategic goals and vision (Boons et al., 2013, pp. 3-4). Value creation must be directed towards the larger system of which the company is part, including the customer base and supply chain, which makes it clear that firm activities are embedded in this larger system (Boons et al., 2013, pp. 3-4). To provide a clear value definition, the company must provide all actors with clear costs and benefits distribution across the actors and communities (Boons et al., 2013, p. 4). Competitiveness and sustainability can be seen as mutually exclusive terms, and to maximize both will likely be wishful thinking, but one may see that achieving sustainability can be a direct cause for improved competitiveness, there is, however, going to be a balancing act to achieve this win-win situation which is largely dependent on policy makers in the market to provide the right frameworks (Boons et al., 2013, pp. 4-5). SBMs are increasingly being viewed as a source for competitive advantage, which would mean that the concept of SBM would overtake the traditional notion of a business model, which is not sufficient to achieve competitive advantage on its own and rather is dependent on the overarching strategy (Boons et al., 2013; Porter M. E., 1996; Geissdoerfer, Vladimirova, & Evans, 2018).

Boons et al., (2013) builds on accepted theory in general innovation theories but suggest a reconsidering of economic prosperity to include other sources of prosperity, including sustainability (Boons et al., 2013, p. 6). A firm that simultaneously can explore for new knowledge and utilise existing knowledge has ambidextrous capabilities (Cillo et al., 2019, p. 1017). The nature of sustainable innovation is to provide an optimal current situation without disrupting future capabilities to achieve the same situation, therefore, firms must balance the corporate economic objectives with the expected sustainability objectives (Zeng, Hu, & Ouyang, 2017, p. 1).

Recognizing and developing critical resources, capabilities, and competences is called dynamic capabilities and should be a focal point for firms wishing to improve sustainable innovation practices (Cillo et al., 2019, p. 1017; Teece, 2018, p. 43). "*Business models, dynamic capabilities, and strategy are interdependent.*" (Teece, 2018, p. 40). While the strategy of the firm will help design how its intended business model looks, its dynamic capabilities will determine its proficiency and the feasibility of the strategic goals (Teece, 2018, p. 43).

> *"The strength of a firm's dynamic capabilities determines the speed and degree (and associated cost) of aligning the firm's resources, strategy, and business model with customer needs and aspirations."* (Teece, 2018, p. 43).

Dynamic capabilities are multi-faceted, meaning a firm may be good at sensing new opportunities, but may struggle with exploiting them (Teece, 2018, p. 43). A large part of nurturing dynamic capabilities lies within the managerial competency of the firm (Teece, 2018, pp. 43-44), which suits the internal management and strategic perspective on sustainable innovation.

"*Strategy for a bigger firm involves striking a balance between the exploitation of existing resources and the development of new ones*." (Wernerfelt, 1984, p. 172). This quote stems from the early ideas on the resource-based view on the firm and shows the early importance on ambidextrous abilities on the overall strategy of the firm, work with innovation and improved sustainability (Wernerfelt, 1984).

2.4.3 External Perspective

Sustainable innovation management is linked to internal corporate strategy but is deeply related to how a firm handles its external relationships meaning the firm must be considered in a more holistic manner as part of a bigger network of relationships (Dodgson, Gann, & Phillips, 2014, p. 292). One of the key arguments for scholars who present this view on sustainable innovation is that achieving sustainable innovation is difficult on its own, and the firm must utilize its network and collaborate with other firms (Cillo et al., 2019, p.1018). This way of delivering sustainable innovation can be called open sustainable innovation as the firm opens the innovation process to outside actors (Cappa, Del Sette, Hayes, & Rosso, 2016, pp. 1-2). Open approaches to innovation have grown in popularity due to its potential for proactively analysing the market to predict future developments (Bogers, Chesbrough, & Moedas, 2018, pp. 1-2), and is defined by Chesbrough and Bogers (2014) as: *"a distributed innovation process based on purposively managed knowledge flows across organizational boundaries".* (Chesbrough & Bogers, 2014, p.12). Bogers et al., (2018) suggests that open innovation will play a key role in the future development of developed economies, technological developments, policy initiatives like the Sustainable Development Goals, and growing competition worldwide is some of the aspects that will require a re-think when considering innovation processes (Bogers et al., 2018, p. 11).

Each firm is not isolated from all other firms and to embrace its position in the relational network will largely be beneficial and sustainable innovation officials should consider the firms ecosystem and initiate cooperation with external actors, especially suppliers and customers (Smorodinskaya, Russell, Katukov, & Still, 2017, p. 5252).

2.4.4 Stakeholder Engagement

A company is not a single-standing entity, it has stakeholders, employees, shareholders, policy makers, customers, suppliers etc. and how it engages and acknowledges their preferences will help determine the successfulness of the company's innovations (Seuring & Gold, 2013, pp. 1-2). Stronger stakeholder relations will have impacts on the successfulness of the business model, as its value creation will gain relevance as the firm has a greater sense of what the stakeholders are seeking (Walsh, 2005; Cillo et al., 2019). Companies can use the knowledge gained through their stakeholder network to further improve operations and their work with sustainable innovation as there is a clearer view on what the stakeholders expect (Cillo et al., 2019, pp. 1018-1019).

We have now investigated two different views presented in the literature, one focusing on the internal side of sustainable innovation, arguing for the importance of management and a relevant business strategy. While the other argues that exploiting the external side of the company is more important and that the company will only be successful if it can navigate its relationships and networks.

The only correct answer is that there is probably not one single answer that holds true for every company, however, the two views will work best when combined, as a company will require a solid strategic vision and a business model that allows the company to create and capture value (Boons et al., 2013, p. 3), but the business model must be based on correct information from the network and stakeholders of the company that will actually use this innovation (Seuring & Gold, 2013; Walsh, 2005). Meaning that implementing outside views and networks into the strategy can help competitiveness, innovation, and in turn the sustainability of the firm (Adedoyin et al., 2020; Cillo et al., 2019, pp. 1019).

2.5 Sustainability Reporting

The number of companies conducting sustainability reporting have increased (Governance & Accountability Institute, 2021). However, a recent study on four oil and gas companies (BP, Chevron, ExxonMobil, and Shell) shows that their proposed transition towards clean energy is not occurring, and investments and actions does not align with discourse (Li, Trencher, & Asuka, 2022, p. 19). Although they have increased pledges towards environmental sustainability, their business model still depend on fossil fuels with insignificant spendings on clean energy.

> *"Future vulnerability of ecosystems to climate change will be strongly influenced by the past, present and future development of human society, including from overall unsustainable consumption and production, and increasing demographic pressures, as well as persistent unsustainable use and management of land, ocean, and water (high confidence).* (IPCC, 2022, p. 14)

This calls for a deeper understanding of how companies conduct sustainability reporting. Sustainability frameworks and reporting are methods intended to advance validity, consistency, and precision of a company's non-financial performance (Bose, 2020, p. 15). The type of reporting can be made both by a company internally or externally. External pressures, i.e., media exposure, motivate sustainability reporting and internal controls work as facilitators to enhance sustainability reporting (Nazari, Herremans, & Warsame, 2015, p. 386). However, internal reporting addresses the importance of validation from an external auditor to minimise the risk of inaccurate information (Briem & Wald, 2018, p. 1472).

Further, one of the fundamental issues with sustainability reporting is the clear lack of standardization both in terms of criteria and methodology (Siew, 2015, p. 187). Being a result of the increased focus; bigger companies make their own sustainability frameworks (Nauman, 2019). However, it is discussed whether the diversity of sustainability frameworks is serving its purpose or if there should be a standardised framework for integrated reporting (Bose, 2020, pp. 15-17). There are increased costs and complexity involved in the diversity of frameworks for corporate issuers, but at the benefit of interpreting complex non-financial information based on company specific matters (Bose, 2020, p. 29). Bose (2020) suggested that a single global standard is unlikely to ever dominate the provision of ESG information.

Researchers and business reports categorise frameworks based on their utilities (The Governance Group, 2020; Mazanti Pulse, 2020; Poolen, 2022). Although there are different figures describing the categories, similar main categories are surfaced. In example, Rabo Carbon Bank and Rabobank Sustainable business advisory (2022) developed three categories: 1) Regulations 2) Reporting Frameworks 3) Global Goals (Poolen, 2022). These categories are connected where regulations are based of several frameworks merged, and the frameworks are again derived from the global goals (Poolen, 2022). The substantial number of ESG frameworks that already exists is challenging investors and companies (Mazanti Pulse, 2020). Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) are two of the commonly used frameworks for sustainability reporting (Threlfall, King, Shulman, & Bartels, 2020; Bose, 2020; Poolen, 2022).

Regulations are derived from global goals and reporting frameworks; governments, and policymakers such as the international sustainability standards board (ISSB), the EU taxonomy, and Corporate Sustainability Reporting Directive (CSRD) are the developers of sustainability standards (Poolen, 2022) The main difference between the mentioned is their geographical scope (Poolen, 2022).

Using the innovation framework provided by Baregheh et al., (2009), one can see the argument of sustainability reporting being a form of innovation. Sustainability reporting stems from the idea created through pressure from the market, including investors and what competitors are doing (Arvidsson & Dumay, 2021; Bose, 2020). As there are plenty of different frameworks for reporting, there will be different measures which requires different measurement tools (Bose, 2020, p. 28). The social context of the innovation is all impacted and involved stakeholders which will further be investigated in the research.

For a company performing its first sustainability report, this will be a radical innovation for them (Baregheh et al., 2009), however, most companies will keep refining the frameworks they use on a yearly basis to achieve incremental changes. ESG reporting aims to create transparency towards stakeholders in the company and leverage the information provided into improving its competitiveness (Arvidsson & Dumay, 2021, p. 1091).

2.5.1 Environmental, Social and Governance

ESG reporting is a term familiarised over the last 20 years due to increased pressure and interests from stakeholders (Arvidsson & Dumay, 2021, p. 1107). ESG is considered non-financial information which investors and other stakeholders are demanding (Bose, 2020, p. 13). An increasing demand on new ESG issues to be measured makes the overall demands run faster than the providers ability (Avetisyan & Hockerts, 2016, p. 325). ESG have increasingly integrated new criteria into their assessment models including environmental and governance criteria (Escrig-Olmedo, Izquierdo, Ferrero, Lirio, & Torres, 2019, p. 14). Companies that manage ESG are suggested to increase firm value, and ESG weaknesses decrease it (Fatemi, Glaum, & Kaiser, 2016, p. 58). To have better operational performance, and experience lower risks related to environmental and climate change regulations, including corruption and human rights violations. ESG, in the context of business, is a result of the development of the triple bottom line (People, Planet, Profit) (Hedstrom, 2018, pp. 22-23). Hedstrom (2018) argued that triple bottom line's way of characterising sustainability and address its issues helped to bring light to the environment and social responsibility (Hedstrom, 2018, pp. 22-23). Bose (2020) organised some of the most known frameworks for non-financial reporting and climate-related frameworks and implied that the world-famous framework Global Reporting initiative (GRI) were designed for a range of stakeholders, while International Integrated Reporting Council (IIRC) and Sustainability Accounting Standards Board (SASB) concentrate more on investors as their main audience (Bose, 2020, pp. 17-19).

2.5.2 The Role of Sustainability Rating Agencies

Sustainability rating agencies (SRAs) measure companies based on their performance on non-financial information (Mazanti Pulse, 2020). It has become a central component to the financial aspect of a company (Cash, 2021, p. 59). Rating agencies such as Sustainalytics, S&P Global, Morningstar, MSCI, ISS, Bloomberg and CDP connect the reporting frameworks and, for some, numbers of the global goals and regulations to the target company (Mazanti Pulse, 2020; Poolen, 2022). The battle to become a leading sustainability rating provider has just begun. Credit rating agencies has a long history with the purpose of serving financial information, with the 'big three' being the reputable (Cash, 2021, p. 59). However, new entrants are increasing competition with modern financial information, and pushing the forward-thinking finance area. A common strategy after the financial crisis, was to improve the company's reputation by demonstrating how proactive, caring, and how sustainable one is (Cash, 2021, p. 70).

2.5.3 Materiality Assessment

Materiality is the concept that assesses whether specific information is important for a company and its stakeholders to consider (Poolen, 2022). Materiality assessment is an approach for effective groundwork on ESG reporting and is so important to the extent that a predefined materiality approach can result in risks reducing the company's ESG performance (Bose, 2020, p. 26). One of the underlying reasons to why there is a broad range of sustainability rating companies competing on serving ESG information on companies is the difference in defining what impacts the economic, environmental, and Sosial parts of the organisation. In example, the major difference between the reporting frameworks SASB and GRI are the definitions of what is considered material (Bose, 2020, p. 19).

3. Energy Overview

Previous literature has shown the importance of stakeholders, strategy and sustainability in companies that want to be prepared for the future. This chapter will look closer at the underlying reason that forces business to change their behaviour towards environmental sustainability: Energy consumption.

3.1 Energy

Energy is a necessity for economic systems and to life (Harris & Roach, 2018, p. 269). According to the UN environment programme, energy is specified as the main contributor to climate change, accounting for 60 percent of total global GHG emissions (United Nations Environment Programme, n.d.). Historically, the most energy efficient sources relied on traditional biomass, coal, oil, and gas (BP, 2021, p. 12; Smil, 2017). To protect the environment and mitigate climate change, new paths of energy exploitation are increasing in popularity. Smil (2017) describes nine major kinds of renewable energies which of includes energy from: 1) solar radiation, 2) hydro, 3) wind, 4) wind-generated ocean waves, 5) tidal energy, 6) ocean currents, 7) thermal differences between surface and deep waters, 8) photosynthesis (Phyto mass production), 9) thermal energy (Smil, 2017, p. 4).

Fossil fuels, such as oil, coal, and natural gas are scarce and will not keep up with future demand, due to less accessible fuel reserves and political uncertainty towards a sustainable future (Dincer, 2015, p. 585). The consequence is visible for consumers of fossil fuel in terms of increased and volatile prices. An increasing number of countries are taxing gas and giving subsidies to alternative energy to protect the environment (IEA, 2022, pp. 33-34).

As mentioned, there are several ways to extract energy from sources, and these vary in the degree of sustainability and pollution. Moving from non-renewable fossil fuels, such as coal, oil and natural gas, the green energy transition is an overall shift of energy consumption towards renewable energy sources (Harris & Roach, 2018, p. 269). Renewable energy investments thrive in well-established supply chains where regulatory frameworks that provide cash flow visibility and lower costs (IEA, 2021, p. 7). Government policies determine the speed and nature of this green transition (Harris & Roach, 2018, p. 269). Energy markets are heavily subsidised and regulated, fossil-fuels subsidies accounts to about $500 billion per year, whilst renewable energy accounts for $120 billion in 2015 (Harris & Roach, 2018, p. 269). Between 2015 and 2019, there was an 8% increase of subsidies on renewables and an 4% increase of fossil fuels subsidies including some countries which had a decrease in subsidies for fossil fuels (European Commission, 2021, p. 2). Another effective option to hurry the green transition is to add taxes to polluting sources of energy. As of 2019, 70% of energy-related CO2 emissions were entirely untaxed (OECD, 2019). A report published in 2021 for the G20 Finance ministers and central bank governors showed that the outcome on carbon pricing resulting from measures needed differs across countries (OECD, 2021, p. 12). The results show that the percentage of emissions reductions in all countries would be greatest from any initial reduction effort (a comparison of $25, $50, and $75 carbon tax was shown) (OECD, 2021, p. 16).

3.2 Energy Distribution Around the World

The challenge within energy markets is combining a sustainable development with markets that face energy poverty. The European Parliament (2021) is working towards liberating the internal energy market which consists of electricity, gas, and oil (European Parliament, 2021, p. 1). Historically, development of the Energy Act (1990) ensured focus on rational distribution and interests for the society in the power market, which took part in making Norwegian consumers among the first worldwide to choose their power supplier (The Norwegian Government, 2016). Access to electricity was argued to become a human right, especially for the rural poor (Tully, 2006, p. 30). A continued focus was shown in the 2030 agenda, where universal access to affordable, reliable, and modern energy services is a set goal (United Nations, 2021, p. 14). However, least developed countries only receive a fraction of international financing for renewable energy (United Nations, 2021, p. 41).

Numbers from 2019 show that 10-13% of the world population still is in lack of access to electricity (The World Bank, 2022; Ritchie & Roser, 2020; United Nations, 2021). A clear global inequity of energy usage highlights the challenge that the poorest three quarters of the global population use about 10% of global energy (Pielke & Bazilian, 2013, p. 74). The SDGs provides solutions to clean energy although it is discussed to be too ambiguous and broad (Tulder, 2018, p. 33). Although the yearly trend is reducing electricity poverty, total growth in primary energy consumption was negative (-4,5%) in 2020 due to the Covid-19 situation (BP, 2021, p. 10). Challenges with innovation towards a rapid evolution of the technology mix, where emerging countries are starting out their decarbonisation journey is apparent (IEA, 2020, s. 131). Despite the increasing decarbonisation efforts, 759 million people did not have access to electricity in 2019 and is forecasted with this pace to be 660 million in 2030 (United Nations, 2021, p. 40). Foreign Direct investments (FDI) and stock market development play an important role in promoting renewable energy consumption within emerging markets, as these promotes economic development towards renewable energy (Kutan, Paramati, Ummalla, & Zakari, 2018, p. 1774). In September 2021, 121 parties including EU set or updated their national determined contribution (NDC) to reduce emissions to net zero by the mid-century (United Nations Environment Programme, 2021, p. 6). As the green shift continues to impact the energy sector, different weather and climate driven energy sources are being connected into a single power station to reduce significant spatial and temporal variability (Jurasz, Canales, Kies, Guezgouz, & Beluco, 2020, p. 703).

3.3 The Future of Energy

Researchers agrees that to keep the global average temperature from rising above 2°C by 2050, all current fossil fuel reserves cannot be utilised (McGlade & Ekins, 2015, p. 187). Number of publications within clean energy transitions has had a tremendous increase since 2015 (Zhang, Li, Wang, & Cao, 2021, p. 5). Clean technology, or green technology, involves products, services, and production processes that reduce the environmental impact of economic activity (Bose, Dong, & Simpson, 2019, p. 341).

To reduce environmental impact, the proportion of clean technology (renewable electricity) need to increase significantly (Bose et al., 2019, p. 340). Since a growth in GDP encourage higher energy usage, and a higher level of raw material consumption, planetary boundaries encourage investments towards innovations that reduce material usage in processes (Bose, et al., 2019, p. 340).

There are several variables that need focus when encouraging energy transitions: Household income, fuel prices, and availability and cost of clean energy alternatives (Zhang, Li, Wang, & Cao, 2021, p. 8). Subsidies and taxing are ongoing enablers of this transition, however, despite serious efforts on reducing the contribution of fossil fuels as an opponent to renewable energy, it continues to contribute with most of the worldwide electricity production according to numbers from 2017 (Qazi, et al., 2019, p. 63837). Moving forward to 2020, wind and solar capacity has increased by 50% (238 Giga watts) with China as the major contributor of an increase of 72 GW (BP, 2021, p. 1). Development of energy is being pushed in a sustainable approach welcoming sustainable innovation. ESG related funds have faced an 11-fold increase in five years going from less than $30 billion in 2015 to over $330 billion in 2020 (BP, 2021, pp. 7-8). Net zero targets are being set by an increasing number of countries, and the costs of COVID-19 pandemic might have been a factor of renewed determination to prevent climate change in the favour of innovating the energy sector (BP, 2021, p. 7). It requires accelerated action towards modern renewable energy in the nearest future to meet these climate targets. However, there is no one green energy source that dominates markets today, and energy-mix models are providing a combination of different technologies to provide energy to nations depending on their assets and terrain. Studies show that a country's ability to reach carbon neutrality depends on their public support and level of diversity in the energy mix (Millot, Riekkola, & Maïzi, 2020; Bielska, Bielski, Pik, & Kurowska, 2020; Said, Alsehhi, & Mehmood, 2018).

Statistics from IEA show that demand is expected to slow after a strong increase in 2021, due to efficiency improvements and slower economic growth (IEA, 2022, p. 9). In 2020, Global energy demand was estimated to fall 4,5% during the covid situation (BP, 2021, p. 1). The year of 2021 were combined with strong economic growth and challenging weather which boosted global electricity demand by 6% - the largest increase since the financial crisis in 2010 (IEA, 2022, p. 3). Despite the increased focus, challenges occur when climate impacts are formally producing plausible changes in frequency and intensity of extreme weather events and their impacts (Schaeffer, et al., 2012, p. 10).

Since the Paris Agreement in 2015, there has been an increasing number of government policies worldwide to amplify green energy investments and implementations. The European Commission presented the European Green Deal in 2019 to build a new economic model based on targets to reduce emissions by 2030 and make EU climate neutral by 2050 (European Commission, 2019).

Overall energy consumption is forecasted to increase despite planetary boundaries and innovation processes. Emerging markets increase electricity consumption and 10% of world population is still in demand of any electricity. According to a statistical review of World Energy (BP, 2021), renewable energy grew regardless of the historical fall in primary energy consumption, which show that renewable energy is determined to continue its growth regardless of short-term market volatilities. Head of the International Energy Agency (IEA), Fatih Birol, stated in Financial Times (2020): "*We can say that renewables were immune to Covid. Both solar and wind saw significant increases [last year],*" (Hook & Sanderson, 2021). During the pandemic, global CO2 emissions fell further than energy demand due to reduced oil and gas demand, but a quick recovery were shown in 2021 (IEA, 2021, pp. 6-7). Energy transition is a necessity to meet climate action plans, and this is an ongoing process nudged by increasing policies that support green energy investments. The emissions gap report 2021 provided by UN refers to resulting effects of new national pledges, but a further notice that to reach the ambitious goal of the Paris agreement, halving annual greenhouse gas emissions in the next eight years must be done (United Nations Environment Programme, 2021). However, challenges are still to be met to rely completely on renewable energy, such as the current issues regarding oversupply and variable renewable energy (VRE) supplies (Yan, 2022, p. 1). Inconsistent gaps between supply and demand from weather-specific events and uncontrollable variables results in negative prices and capacity issues of renewable energy (Yan, 2022, p. 1). Experiences with VRE supplies had an impact on households across Europe in late 2021, where increased prices on power reached record high numbers partly due to weather specific events such as colder weather and low wind power (Statista Research Department, 2021; Buli, 2021). On a long-term basis, the mixture of renewable energies is welcomed which increase diversity of supply stream and makes clean energy more reliant and predictable.

3.4 External Pressures facing the Energy Sector

A comparison of the three topics: "The war between Russia and Ukraine" , "Climate Change", and "Sustainability" showed that the topic "Climate change" had most search interest on Google search globally from 2006 to 2010, beat by the related topic, "Sustainability" until 2020 where the topic "Coronavirus" would dominate search interest, except February 24, 2022, when the outbreak of the Russia's military intervention in Ukraine (Google Trends, 2022).

One of the most visible effects from the short-term Covid-19 pressure is the supply chain crisis that surfaced due to a change in demand for goods since the 2020s. When significant crisis arise, supply chain disruption is a common outcome (Strategic Direction, 2021, p. 38). Sustainability practices contribute to a global supply chain resilience, by encouraging “buy local” actions and maintaining eco system services, as well as building community trust (Sarkis, 2020, p. 65). Border and port closures and government-ordained work stoppages led to a disruption of trade in materials, and a lower reliability of global supply chains which further might accelerate an ongoing trend of “de-globalisation” and re-shoring of critical energy industries (Kuzemko, et al., 2020, p. 3).

After the G-20 meeting in Pittsburgh in 2009, the organisation of the petroleum exporting countries (OPEC) got along with the World Bank, the OECD, and the IEA to analyse the world outlook on fossil fuel distribution. In their joint report published in 2010, they discussed energy in context of sustainable development, and poverty reduction through enabling more energy resources as a catalyst for economic growth to the population that were without electricity services (IEA, OPEC, OECD, WORLD BANK, 2010, p. 6).

4. Methodology

Considering energy being the major contributor to climate change, we found it interesting to analyse the energy sector, those who work closely to the sources of energy, to answer our research questions. Previous literature suggested that sustainability reporting was a way of showing transparency and satisfy stakeholders which raised four questions that we wanted to investigate. We conducted a qualitative analysis based on a semi-structured interview and the purpose was to dig deeper in the stakeholder’s demand for sustainability reporting in the company, and to understand if sustainability reporting can be connected to competitive advantage. From the literature, we found four questions to investigate for further analysis.

These questions would be the guiding questions throughout the analysis. The guiding questions were as follows:

- GQ1: Are investors perceived as the most pressuring stakeholder in matters relating to sustainability?

GQ1 is a sub question of RQ1, which are meant to discover the most pressuring stakeholder. It would be investigated through asking questions regarding what stakeholders are perceived to be the most pressuring in general, in addition to a question relating more specifically to the matter of sustainability reporting and which stakeholders demanded this to a larger degree.

- GQ2: Can companies increase competitive advantage by conducting sustainability reports?

GQ2 is a sub question of RQ2 and was investigated through clarifying whether the company did indeed report on sustainability, what framework that the company used, if there were multiple, the informants would specify why that is, and why reporting on multiple frameworks would be of benefit to them. With those two questions serving as clarifying tools to provide a foundation for the final question which would not have specific answer, but rather allow the informant to explain whether the company had seen any kind of effect from the sustainability reporting. A question that led to interesting responses that we had not expected going into the interview process. Due to the vague nature of the question, there was a large discrepancy in the answers which may be due to the different natures of the companies, the different positions within the company held by the informants, or because of the actual effects being different between the companies.

- GQ3: Will increased demand from stakeholders for sustainability reporting helps integrate sustainability targets in the strategy?

GQ3 is another sub question of RQ1 and lays a foundation through the question of whether the company reports their sustainability and what frameworks they use, but we would ask the informants about what stakeholders are perceived to be the most influential in the process of developing their strategy and what initiatives were adopted due to the outside influence.

The final question related to GQ2 would in addition prove to hold important information related to this guiding question.

- GQ4: Are stakeholders viewed as highly influential in their impact on the company's strategy by demanding sustainability reports?

GQ4 is another sub question of RQ2 and considers stakeholders' influence on the company through sustainability reports. Here we would ask informants whether they viewed the company's sustainability work was controlled by themselves or significantly impacted by outside actors (stakeholders) although stakeholders where not specifically asked for at this stage to allow the informant to answer without influence from us. Finally, we would ask the informants how the different stakeholders have affected their strategy in general.

4.1 Selection Criteria

From the literature, we found that the energy sector is viewed as the most polluting sector in terms of the environment. We specifically looked at the Norwegian Energy sector with Norwegian operating companies listed on the Oslo Stock Exchange. We filtered companies based on the webpage for Oslo Stock Exchange (Euronext) and looked at stock-listed companies that ticked the boxes: Sector: “Energy”, and Region: “Europe, Norway”. In total, there were 30 results on the search, which all were contacted. In addition, two companies we contacted were not listed on the Oslo Stock Exchange as hydro-power companies were state-owned in Norway, these were viewed as highly relevant to our study and were contacted. The relevant companies were contacted through open contact forms online unless they specified a contact person for these kinds of inquiries.

Initially, we contacted the companies through a standardised E-mail with the destination to the communication department of the company. We went into the “contact us” page of each company to find the Email; and where we found multiple or specified contacts toward sustainability matters, we sent it to multiple emails within the company. We specifically asked for an informant of the company with knowledge on the company’s sustainability and referred to our paper’s purpose. The goal was to reach the sustainability managers of the firms. The chosen informants had the option to choose a digital interview or physical, where the goal was to increase interview participation. Those who did not respond to our first mail was sent another friendly reminder three working days after the first mail. If the targeted company still did not respond, sustainability managers and communication responsible were looked up on LinkedIn and tried contacted through messages.

4.2 Interview Design

The interview setting was one interviewee and two interviewers. All interviews were conducted using the online conferencing tool Microsoft Teams by invite from us. Prior to the interview, all informants got the same introduction to our thesis, they gained knowledge on our situation, what we wanted to accomplish and, without mentioning any specific questions, a quick “what to expect” during the interview. The introduction was done prior to the recording being started and allowed the informant to ask questions to clarify the purpose of the interview. After the introduction phase, it would be clearly communicated when we began recording and the actual interview would commence.

At the beginning of the interview, two questions were asked to figure out the level of knowledge the informant had on the topics at hand. The answers to these questions would impact the weight that was placed on the following responses later in the interview. Depending on the fluidity of the responses from the informant, we would ask a variable number of questions following the initial questions to gain proper answers to the proposed hypotheses.

During the process of the interview, we would aim to have similar and non-distracting factors in their field of view to ensure replicability and to avoid influencing the answers of the informants. Our main task was not to ask rapid-fire questions, but to act as a moderating force that would steer the conversation in the direction necessary for the thesis. This included asking specific questions from the interview guide, asking unplanned follow up questions to interesting responses, and to cut off long tangents from the informants that was without relevance to the thesis. Our attitude was aimed to be disarming and laid-back to allow the participant to be the one in control of the conversation. This was a factor clearly communicated in the introduction.

When satisfied with the responses, we clearly communicated when we ended the recording. We specifically asked for permission to ask to follow up questions through email contact post interview with the companies if there were questions that would arise post interview.

4.3 Data Collection

The process of gathering certification from “Norsk Senter for Forskningsdata” (NSD) began on March 1st, 2022. We obtained the necessary certifications to interview subjects and manage personal data within the month and begun the interview process by inviting the relevant population via e-mail.

The purpose of analysis was not to reveal personal or company-specific data, which meant that the data we collected were anonymised. Accepting participants were interviewed using the web-communication tool Microsoft Teams, with transcribing being performed on a rolling basis as soon as the interview was finished. The transcription was made by using an NSD approved smartphone app called “Nettskjema” to record the interview, as well as the same application’s website. The website would store the interview as a sound file allowing us to develop the transcriptions.

There did arise an issue of inconsistency as some participants asked to see the interview guide beforehand, something we felt would lessen the representativeness and replicability of the research, thus we would provide them with prepared additional information to ensure their participation. We avoided sending our interview questions but gave a prepared summary of our paper's purpose and stated that we would like to ask the specific questions during the interview to protect the representativeness of our findings.

Based on the transcriptions, we would colour-code the responses in a separate document to categorise the responses to the correct question as the interviews were not fully structured. We would draw out some key aspects of the responses to compare them with the others and create an overview of the responses. In addition to a manual categorising of the responses, we would use the software tool NVivo 12 to help with this job and to create a foundation for the coming analysis. The usage of the tool and the method of analysis will be further explained in the chapter.

4.3.1 Transcription

We followed a simplified version of the system developed by Gail Jefferson where we introduce fewer symbols based on Jan Svennevig's translation and introduction book of communicational theory (Svennevig, 2020, p. 11). Less symbols to explain the transcription will reduce the goodness and replicability of the transcription but can avoid the consequence of incorrectly answering questions based on wrong applications of many (Hepburn & Bolden, 2017, p. 40).

We have emphasised a constant transcription rule and acknowledge that text analysis only can refer to the transcripts, which can never be complete representations of their raw data. The interviews were conducted in Norwegian, meaning that the translation of the interviews used for the analysis of this paper may have had certain elements lost in translation.
Further, the interviews were recorded through a smartphone with a certified application (Nettskjema) to store the data. The transcription was organised in the program Nvivo 12. We coded each file to keep the recordings anonymous, and further assigned each company transcription to "Company #1, company #2, …, Company #6". This way, we could identify the different transcribed interviews without revealing personal information that could be identified in the running text. In addition, we coded any specific data to a general statement so that the privacy remained in the transcribed data that were stored outside of "Nettskjema".

4.4 Quality of the Research

To keep the research a systematic procedure of content analysis is one of the main concerns of the chosen method (Mayring, 2014, p. 39). An interview is criticised to be too broad and subjective (Mayring, 2014, p. 123), which can reduce reliability as opposed to quantitative research.

However, the chosen data method has the possibility to give a deeper and more analytical understanding of phenomenon discussed. To increase accuracy of data, the secondary data analysis increased reliability in informants answer, and promote a guidance for the interviewers to give a wider understanding of the established demand gap. However, the representativeness of the research is not optimal, as six interviews were conducted to describe the entire Norwegian energy sector (listed on Oslo Stock Exchange) of 30 companies (plus the two state-owned firms).

In addition, there are several actors within the sector that are not listed on the exchange market which could have other approaches to our research, which further reduce the representativeness of the research. The participants had different roles within each company which affects both the quality and replication of the combined responses. Most of our informants worked closely on sustainability within the firm, and was associated with the sustainability manager role, however one third of our selection had a role involving communication rather than sustainability.

With different knowledge on the topic, the subjective impressions of those who are not directly working with sustainability could lead to unprecise results, which again reduce the validity of our research. To increase the validity of our data collection however, we contacted the informants after collecting data to ask if we could use some of the transcribed data as quotes in our findings section.

To ensure the credibility of the study and the privacy of our informants, we sent the informants of matter specific quotes we wanted to use in text and gain their permission. When contacting the informants, we allowed them the chance to review the quotations, and some of the quotations used in the paper are adjusted based on the feedback we received. All quotations remained with the original value of information, but this allowed the data to be reviewed for privacy and increase the validation of transcription.

Our research had many terms that can be subjective, overlapping and diffused. We found that the terms “sustainability”, “green energy”, “environmentally friendly” and “ESG” was overlapped to the extent that our informants shared the concept of sustainability on a general idea. Our interview guide used the term: “ESG reporting” to reduce the risk of them discussing other sustainability terms such as economic sustainability, and other financial information. In hindsight we would have been more specific with the terminology in the description of the interview and question the informants use of the separate words of non-financial information and be consistent with our own use of the terminology. With a time-limit of 30 minutes, the informants that had the knowledge did not have time to show their true understanding of each concept and their interrelations. From the literature, there are three different types of sustainability, and ESG has not always been a matter of non-financial information. This could have been explained more thoroughly in advance to our participants to increase their understanding of the direction of the interview.

5. Findings

In search of answers to our questions based on the literature, we did a content-analysis to characterise responses from our interview. To categorise, we initiated a coding process of two steps. The first order coding process was to organise the transcribed data into ten categories which were based on the interview questions (IQs). Complete sentences and answers of relevance were formatted and structured based on words and sentences that were transcribed during the specific interview question. The ten questions were, before the interview, assigned a purpose to investigate our questions from the literature.

The IQs were categorised into four themes: “Stakeholder Pressure”, “Stakeholder Influence”, “Integration of Sustainability targets”, and “Competitive Advantage”. The IQs were organised under the subtopics with the following second order coding: IQs 2, 7 and 9 were assigned the topic Competitive Advantage. IQs 4 and 8 were assigned “Stakeholder pressure”, while IQs 2, 5, and 7 were assigned “Integration of Sustainability targets”. Finally, IQs 3 and 6 were assigned the topic “Stakeholder influence”. The first and last (1 and 10) IQs were not assigned any of the mentioned subcategories, as the questions were not related to a one topic but were mentioned throughout in terms of general relevance.

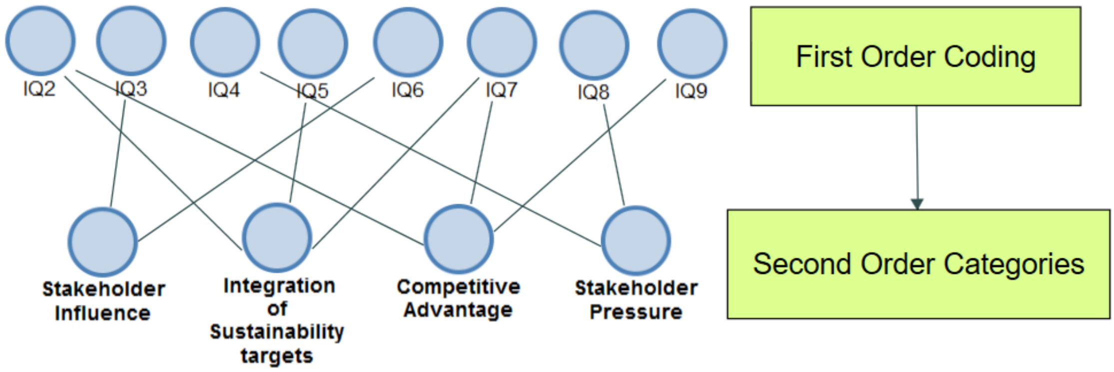

Figure 1. Shows the steps of the coding process. Notice IQ1 and IQ10 is not marked as these were questions used to warm up and cool down the participant.

Despite the focus on frequency in providing findings to our research, some of the categories were quantifiable to the extent where we could create a cloud map based on the first order coding sentences in the category. These results were further discussed and compared to the literature to seek a validation of our findings.

5.1 Stakeholder Pressure (GQ1)

Investors tend to have exact requirements for the data they ask for, therefore, their demand may be felt by sustainability workers within the company as they are subject to these requests more frequently. Much of the data in the company's sustainability report can be what the investors are seeking, but the informants specify that the investors are the stakeholders that demand sustainability reporting to a larger degree. This confirms that investors are perceived as pressuring and the stakeholder group that was most consistently mentioned by the informants.

There is another option of separating the investor group into private investors, pension funds, and other investors who invest on others' behalf. Those controlling larger funds may be more inclined to dig deeper for the indicators they view as most important. Given the importance of sustainability, investors have become more interested in this type of information when lining up their investment opportunities (Arvidsson & Dumay, 2021, p. 1107). Based on the responses from our informants, this increased attention to sustainability information is confirmed.

It is apparent that investors, owners, and asset managers are the stakeholders of which pressures a company's environmental performance. Those who have monetary connection to the company have interests in seeing the company perform better and reduce risks of losing their investments. Demands for climate action plans and transparency are considered a need for investors.

Although there seems to be a collective understanding that the money providers are the pressuring side, customers are an important aspect to the matter. Collaboration both with competitors and suppliers are an important aspect of reaching sustainability, but the importance of customers is stressed in terms of supporting the theory of economic sustainability and purpose of the company to be profitable (Friedman M. , 1970).

Some of the companies was partly owned by the government which emphasised minimalization and externalities on operations so that in return the society itself could benefit from the production. Specifically, hydropower licenses are being revised in matters of environmental impacts, where landowners, wild-life organisations and tourist unions are considered the stakeholders involved. In other cases, government participation involves expectations which are considered as obligations to the operating firm. Stakeholder pressure can be described as trying to minimise risk, and increase the transparency of the firm, while focusing on environmental impacts. There are numerous stakeholders, which are reflected in stakeholder maps in companies, which have different types of pressures.

Our research suggests that investors (8 hits) are the most pressuring stakeholders, owners (7 hits) are the second most important (Investors and Owners are interrelated), and employees (6 hits) and customers (6 hits) are on a shared third place (see figure 2).

Figure 2. Shows a word cloud of the most important stakeholders (including the word stakeholder for reference) based on informant answers in our research. Developed in Nvivo 12.

5.2 Competitive Advantage (GQ 2)

None of the informants disagreed to the increasing demand for sustainability reporting on a general basis. The informants mentioned plural ways of conducting sustainability reporting through ESG reports, materiality assessment, and the increasing specific demands from stakeholders from the investor side of stakeholders.

One of the concerns however is the question of which frameworks are being used, as companies can decide the reporting frameworks themselves. Although the targeted companies have conducted sustainability reporting more than once before, there are collective uncertainties towards what are the most important reporting in terms of ESG. When it comes to sustainability rating agencies; MSCI, Sustainalytics, ISS, S&P Dow Jones Sustainability Index were mentioned as used in terms of companies giving rating to the companies. One of the companies have chosen to implement world economic forum's framework Planet, People, Prosperity, and Governance (PPPG) as an organised way of dividing the information. A quotation suitably describing the informants' impression on the sustainability frameworks: "*As, you see, it is a jungle of these ESG- reporting platforms.*" (Company #6).

To stay competitive and meet demand from stakeholders, companies conduct sustainability reporting through more than one standard, and get input from several reporting agencies. To reduce the risk of providing misleading information, interpretations and considerations are being done within the firm to provide the most transparent non-informational data. In example, materiality assessments have been discussed within the companies alongside the different definitions provided by SASB and GRI. One of the informants mentioned the effects of the regulations being shown on a consumer level, where UNs sustainable goals are being promoted and shown on products of which they contribute to the labelled goal. The continuous increased focus and repetitiveness on sustainability reporting can be explained as: "*It's just like putting on a seatbelt when you get in a car*." (Company #2).

Sustainability reporting has become an agenda and foundations of relevance for stakeholders, and an important aspect of marketing within business. Because sustainability reporting engages the company to ask questions within its own walls makes room for improvements both on environmental impacts and the wealth of the workers. However, the reporting aspect is a facilitator more than a driver to improve the company. When external rating agencies give companies performance ratings and compare competitors, it enables a pressure on companies to improve their analysis and provide accurate numbers rather than individual interpretations of the topic. "*The numbers will speak for themselves, and I think it is important for it to become measurable, otherwise it will only be a matter of those who can write professionally about it*." (Company #4).

Company #1 suggested ESG ratings can be a bit all over the place, however reporting goals are being implemented in the firm's strategic goals as it is being conducted alongside stakeholders, which increase communication and collaboration with different stakeholders. NGOs, customers, and employees have a voice when doing sustainability analysis. As the reporting is being done, it is apparent that the traditional economical view on companies is facing a change where one can see the environmental profits rise. Prioritisation of innovation of environmentally friendly processes help businesses make clearer profits in terms of sustainability rather than in dollars and physical returns. To become sustainable can be a strategic approach as a way of differentiating the company towards its competitors. While the research has not provided a definitive answer to the guiding question, there is evidence that suggest companies are considering a strong sustainability reporting framework as a competitive advantage.

> *"The fact that customers are demanding this (sustainability-reports), based on that we already have done a lot of this work, it is a competitive advantage for us that there are requirements for our competitors."* (Company #4).

5.3 Integrating Sustainability Targets from Stakeholder Demand (GQ3)

Sustainability reporting is an external pressure but works as well as internal facilitator. Most of the energy companies interviewed had or was in a transition phase moving from fossil fuels towards cleaner energy sources. All our informants argued that sustainability was going to be or had always been integrated in the company's strategy. Whether this is a result of pressure from stakeholders or entirely based on internal incentives are unclear and difficult to accurately calculate, and the informants argued both ways in terms of whether this was externally or internally motivated.

ESG rating is not only bounded to Norwegian investors, as some countries operates and trades energy globally. Our informants mentioned foreign investors as important, and for one company a major contributor to investments. Regulations such as the EU, and the UNs development goals are bounded geographically to specific nations, which makes sustainability reporting more complex to the extent that companies need to address foreign sustainability regulations and expectations. It is obvious that stakeholders demand sustainability reports to increase transparency in their stakes, but firms seek internal reporting as a way of increasing their integrity and control within the firm.

One of the informants mentioned the reporting agency MSCI and how they actively have integrated their reporting requirements into their strategy: to achieve a better rating than first given.

> *"One of the key values for us is 'bold innovation', I would say this was pretty bold, our entry level was a triple B, based on the early sustainability reports, within 2025 we have an ambition to be top rated, at triple A."* (Company #6).

A good strategy involves capturing customers attention and call to action. For businesses, customers have opinions that affects the strategy in terms of demanding specific ESG ratings.

5.4 Stakeholder Influence (GQ4)

One of the informants argued that future employees (referring to the younger generation) would seek pride in their workplace, more than the value of money. By implementing sustainability and showing the society that the company is acting as a good citizen, one informant argued it could lead to increased reputation and further improved workforce (in terms of happiness and well-being).

Strategy is connected to ambition and market trends where, from an investor's perspective, one can be guided by reaching short- and medium-term goals. According to one informant, investors ask detailed questions which can be seen as "Tick in the box" exercises for them to determine the relevancy of the firm. This works similarly for ESG-rating companies that rate the company based on their non-financial information. This result in opportunities to purposely omit information in a matter of improving the sustainability rating of the firm.

Some of the interviewed companies were partly state-owned. The governmental part ownership did impact the company in a high degree when it comes to decision making and expectations of how and what the company should report on: "*The Norwegian Government owns a substantial part of our firm and is crucial in setting expectations on how and what we report."* (Company #1).

Sustainability reporting have become a part of the financial matters of the company due to an increased focus on advertising the company as sustainable. To understand if a business is for purpose or for profits is not easy research as the sustainability aspect of a firm often relates to a matter of advertisement tool. Local newspapers and social media are platforms that increasingly are questioning and sharing information on the sustainability in firms.

> *"Other stakeholders such as local newspapers may ask many questions, which want to hear how we work with the environment and protect the local society and such."* (Company #1).

External influencers bring expectations to the table which impacts the strategy of the firm. But most of the strategy are indeed created within the walls of the firm, as early adopters of sustainability efforts begin to see its value as pressure from customers increase. But to stay ahead, it is important to embrace external ideas to adapt to the environment, and to be a responsible part of the society.

6. Discussion

Our paper discusses the demand for sustainability reporting within companies. We have tried to organise the abundance of sustainability and analysed how stakeholders are related in terms of a company's sustainability performance and reporting. Our research has brought light to topics that are in continuous change. Our findings connect stakeholders, strategy and sustainability which covers the importance of sustainability rating of companies within the energy sector.

6.1 Which stakeholders are perceived as the most important by strategy-makers in matters relating to sustainability?

We found that investors are perceived as one of the most important stakeholders, however, there are many stakeholders of influence that are mentioned across the interviews: employees, customers, and Non-governmental Organisations (NGOs). Pressure and influence differ between the stakeholders, whereas for instance customers demand different of what investors do, which can impact how organisations prioritise their stakeholders. Supporting the literature where any group that can affect the firm must be considered a stakeholder (Freeman R. E., 1984, p. 46), we found that there can be numerous different stakeholders within a firm, and this depends on the firm's business model. Further, most of the informants referred to stakeholder maps which describes all stakeholders of which are important to the specific company.

One of our findings emphasise the difference between stakeholder pressure and demand for sustainability reporting. Depending on the company, one stakeholder can pressure more than the other: and likewise with influence. One of the firms we interviewed mentioned customers as pressuring while investors and governments (as part owners) had a higher level of influence on the strategy within the firm.

In addition, NGOs were discussed and included by the informants in a wide extent in which they had specific requirements and interest in the company's transparency and sustainability reporting. This proves that the consideration of external stakeholders (Jakhar, 2017; Awan, Kraslawski, & Huiskonen, 2017) are important in the eyes of our informants.

The increasing focus on sustainability has given stakeholders, such as employees, intrinsic motivations of choosing a job that gives them purpose more than of extrinsic value. One informant mentioned that this can be a motivational factor to recruitment, and a pressure of organisations to provide an attractive workspace to new employees. This could be one of the benefits of increasing competition of sustainability: to increase the stakeholder pressure towards sustainability in a company in a way they must improve their sustainability efforts in the company. Supporting previous literature (Friedman & Miles, 2006; Freeman R. E., 1984, p. 46), our findings suggests that stakeholders indeed influence the overall strategy of the company. A stakeholder influences the company differently depending on the specific stakeholder.

Sustainability reporting comes from a combination of external pressure and internal facilitation. Since most of our informants argued that their company was in a transition phase, and the integration of sustainability reporting was considered a necessity rather than a way of being different. On the other hand, a strong sustainability reporting framework could be seen as a way of differentiation. However, the challenge to serve each independent stakeholder demand explains the reasons of why Bose (2020) suggested that there will not be any one standard of providing satisficing non-financial information. Depending on the investor's relationship with the firm, and its country of origin; different demands and requirements sets the agenda of the company's sustainability reporting.

Sustainability ratings help provide a tangible measure to sustainability matters, which allows companies to perform internal reviews in a new way. An innovation should be seen as a tool, not only to improve competitive advantage, but for companies to fulfil their responsibilities regarding sustainability (Carayannis, et al. 2017; Cillo, et al., 2019; Porter & Kramer, 2006). This fundamental change in mindset is something that was evident among the informants in the study, and all informants agreed that innovation in the sector can no longer be measured using solely monetary variables, but that sustainability reporting was something they were doing and were expecting to continue with.

Sustainable innovations are usually long-term projects that is unlikely to pay off in the short run and requires a longer planning horizon (Longoni & Cagliano, 2018).

> *"In the past, I believe we would only consider the financial aspect [of the investment], but now, we consider the environmental aspect to a greater extent ... There have clearly been made certain priorities within innovation in the company, and there have been made investments now that would not have happened before as the financial aspect would not be profitable, however, now it may pay off sooner as the accounts are no longer only in dollars and cents."* (Company #4).

Despite the change in perspective within the company and a change in the planning horizon and the business model, sustainable innovation is hard to achieve solely with internal changes and needs to be tied together with external actors (Schot & Geels, 2008, p. 550). The business model is centred around the exchange of value (Boons, et al., 2013; Teece, 2010). To integrate sustainability in the business model, values must be aligned with the company's strategy and must be directed towards a customer base that holds the same values (Boons, et al., 2013, pp. 3-4).

> "*Customers are the stakeholder that demands [sustainability reporting] most, because we deliver services to other energy companies, and they are working towards mapping their total [climate] footprint."* (Company #4).

Stakeholders are demanding more ESG information along with increasing ESG information quality is improving (Arvidsson & Dumay, 2021, p. 1107) Customers as part of stakeholders show that the interest of sustainability reporting is increasing within several stakeholder groups. *"Customers are becoming increasingly interested in our products and services, how it is produced and provided."* (Company #2).

Specifically, as the energy sector is operating with resources that are mentioned to be the most environmental harming sector, it is important to listen to the target customers and their cultural and political differences, as well as foreign stakeholders when it comes to adopting sustainability standards. It is argued that there is a gap between politics and reality when working on improving sustainability. *"A stakeholder group that asks a lot of questions are the customers."* (Company #1).

A business model is not sufficient to achieve a competitive advantage, but the SBM is considered to have that potential as it attempts to facilitate the possibility of a company being competitive in the market as well as being sustainable (Boons, et al., 2013; Porter M. E., 1996; Geissdoerfer, et al., 2018). With informants agreeing that having solid sustainability reporting frameworks early will improve their competitiveness when reporting frameworks become mandatory. The success of the SBM is dependent on the dynamic capabilities of the company, whether the company can sense new opportunities while exploiting existing ones (Teece, 2018, p. 43). The successfulness of the companies we have interviewed is hard to measure at current time, but they all are at the forefront amongst sustainability within the Norwegian energy sector.

Open innovation is an approach taken by companies that allows outside actors to help with the innovation process (Cappa, et al., 2016, pp. 1-2), and is used by companies to adopt a proactive approach to future market developments (Bogers, et al., 2018, pp. 1-2). All the companies we interviewed utilised frameworks for sustainability reporting that were created outside of the company. The companies would take advantage of this as the creators of the frameworks based them on extensive research of the market and what information is in demand.

To ensure the successfulness of the implementation of the sustainability reports, the company should engage with the stakeholders to align the innovation work with stakeholders' expectations (Cillo et al., 2019; Walsh, 2005). *"We report according to several frameworks, but GRI forms the backbone of the reporting"* (Company #3).

6.2 Does sustainability reporting improve competitive advantage?

Competition is more visible on the management and strategy development side of a company (Porter M. E., 1979) which can be a reason to why some of our informants argued that their implementation of sustainability reporting was done before the increased focus. If the collective force in the industry is large, margins for profitability is smaller (Porter, M. E., 1979). Customers are increasingly interested in the company's products and how they are produced, as sustainability is growing in importance. Multiple informants mentioned an increase in questions from customers indicating a higher expectation and a legitimate threat of substitutions (Porter, M. E., 1979). An informant mentioned that their company considered their ability to perform sustainability reporting as a competitive advantage, meaning there can be another factor of industry rivalry as cost leadership and differentiation is not the only legitimate strategies to pursue (Porter, M. E., 1985).

This evidence suggest that sustainability reporting is another factor that impacts the competitive environment of the company, and a potential source of competitive advantage.

Increased sustainability performance and efforts can give intrinsic motivations of job seekers and give purpose more than of extrinsic value to be a motivational factor to recruitment. A company that can attract superior competencies in employees, will be able to leverage it into a competitive advantage compared to competitors (Jassim & Jaber, 1998, pp. 404-406). This can in addition pressure organisations to provide an attractive workspace to new employees.

One of the problems within the energy sector, however, is the dependence on non-sustainable fuels (such as fossil fuels) which does not have any replacement with today's technologies. This is reflected throughout the energy sector as companies turn towards renewables and innovation, and the rebranding from example "oil & gas" companies to simply be "energy" companies. It is unclear whether the increased focus on sustainability reporting was initiated by internal or external pressure. However, sustainability reporting does improve competitiveness, where configuration of competences and resources are done in a changing environment (Johnson et al., 2008, pp. 95-96). In terms of business model innovation, value creation can reflect the transparent non-financial informational communication of a company. Marketing the openness and transparency is seen as a tool for some of our informants to promote responsibility, but internal integration of improvements on the wealth of employees. Further, all informants agreed that there was an increasing demand of sustainability reporting, and more specific requests was given from investors. This gives sustainability reporting companies an opportunity to better satisfy stakeholders and be ahead of its competition. One of our informants specifically stated that sustainability reporting was a strategic point of differentiation, and another stated that it was come to a point where the importance can be compared to wearing a seatbelt in a car. This shows the importance of sustainability reporting within a competitive industry. Companies facing strategic risk and uncertain times tend to focus on financial factors (Duan, et al., 2021, p. 10), while the successfulness of sustainable innovations is predicated on non-financial factors (Duan, et al., 2021, p. 10; Schot & Geels, 2008, p. 538). The findings of the research suggest that companies consider long-term effects to a larger extent than before and that non-financial measures are considered.

Performance measures of reporting agencies are a useful tool to measure performance, which some of our informants referred to. This approach supports the implementation of standardised frameworks, so that companies can be comparable.

Regardless of the strategy implementation of the sustainability reporting, companies provide different non-financial information based on their situation to the environment. The materiality assessment is a valuable tool that sustainability agencies and frameworks have different definitions of. To reduce the risk of giving inaccurate information, companies create their own materiality assessments to address what they include in their sustainability reports as material. This supports Bose (2020); there is a necessity of the diverse supplementation of frameworks still, as companies are operating with differences difficult to unify.

Stakeholders are mentioned to impact a company (Friedman & Miles, 2006; Freeman R. E., 1984, p. 46), and our research suggests that stakeholders indeed influence the overall strategy of the firm. However, whether the business is for profit or purpose is a matter of discussion not concluded in our research.

We found that the informants said it was internal forces that lead to sustainability reporting, but this is not a conclusion with much support from literature as there is an ongoing debate on how the company can behave as a responsible citizen; and the question of with whom lies the responsibility of the company's actions. Regardless of the outcome of the much-debated topic, sustainability reporting is to an extent measurable by rating agencies, which can visualise performances on companies. Despite the abundance of rating agencies, regulations and frameworks, companies spend resources on covering non-financial information based on their situation and stake, and interpret sustainability matters internally.

7. Conclusions

In the beginning of this paper, we categorised three topics that the paper would discuss: Stakeholders, Sustainability, and Strategy. We immediately noticed the abundance of sustainability reporting criteria, and its complexity for decision makers and stakeholders. For a company to be relevant in the future, sustainability reporting is a necessity to a broad range of stakeholders. Although these reporting initiatives can be time-consuming and costly, the importance is increasing with time. We have categorised sustainability frameworks, external rating agencies, and regulations on pair with previous literature, but see that the continuous development is something that will continue in the future. As regulations are being written, rating agencies and reporting frameworks are tools that can help a business show their sustainability efforts.

Regulations are built from the combination of sustainability reporting standards and rating agencies: Therefore, to follow the overarching regulations and government suggestions are to be prioritised if the company wants to address the most relevant aspects of sustainability reporting. Stakeholders are shown to have diverse needs depending on which stake they have in the company.

There are plenty of stakeholders of which a company needs to adapt to. There are different stakeholders depending on the firm's operations, which makes sustainability reporting difficult to standardise. Different stakeholders may demand different information based on their company operations, and further pressure the company in different directions. Investors typically seek to reduce risks and need data to assess this which involves box-ticking exercises that a company need to fulfil. Governmental part-ownership is highly influential to the decision making within the firm and works as a specific driver of the company.

Although sustainability reporting roots from external pressure, it can work as an internal facilitator. For instance, employees may seek a company's sustainability performance as intrinsic motivation and enhance business performance.

The goal of strategy is competitive advantage, this paper has investigated the opportunity of leveraging strong sustainability reporting to competitive advantage. The informants mentioned the importance of this information as it provides the entire company with an enrichment of professionalism. Additionally, customers are increasingly aware of the environmental crisis and place a greater emphasis on cataloguing the environmental impacts of their suppliers. Implementing sustainability in the business model of the company can help improve the company's reputation and gain competitive advantage. A potential contributor can be sustainability reporting.

Sustainability is a broad term that needs specification to the topic of concern. We looked at the sustainability reporting aspect of companies which does involve environmental, social and governance. A company facing stakeholder pressure will adopt strategies which involve increased sustainability efforts such as enabling circular economy, waste reduction, and increase of efficiency. Sustainability reporting is a tool for companies to show their initiatives to their stakeholders and differentiate themselves from competition. However, sustainability reporting is yet to be standardised, as there are several parties in various stages of sustainability reporting: Regulations, frameworks, and external rating agencies.

To fulfil stakeholders demand, companies take on several frameworks and conducts internal assessments to address their external demand of sustainability information.

By answering our two research questions, this paper contributes to the existing research by approaching sustainability reporting with an explorative approach to discover which of the stakeholders are perceived as most pressuring and influencing.

Conclusion of RQ1*: Which stakeholders are perceived as the most important by strategy-makers in matters relating to sustainability?*

We found that investors were the most frequent stakeholder to be mentioned in the research, however, responses differed in that some informants weighted stakeholders differently, which suggests that this is viewed differently in different companies. This can make the findings of this paper difficult to apply into any given company and should be subject to a thorough environmental analysis of the entire network of stakeholders.

However, our paper suggest that companies prioritise certain stakeholders as they are perceived as the most influential, but to gain findings that can provide a solid answer to the research question, additional studies should be undertaken.

Conclusion of RQ2: *Does sustainability reporting improve competitive advantage?*

Informants argued for the company receiving a competitive advantage due to having long experience within sustainability reporting, but that this effect is difficult to measure at present due to a lack of legislation. The suggestion is that this competitive advantage will be more visible if, or when, frameworks become mandatory for reporting sustainability. A concise answer to the research question is not possible, however, the study lays the foundation for additional qualitative studies within the area as well as opening the door for the possibility of conducting additional research when sustainability reporting becomes a mandatory activity.

Another form of competitive advantage mentioned in the study is the motivational factor of new employees. Students are becoming increasingly aware of the environmental crisis and possess an intrinsic motivation for working for a sustainable company. Presenting companies with additional motivation to conduct sustainability reports that are thorough and transparent to attract top level candidates. However, this topic is under-researched in this paper and would require additional research to attain a level of credibility.

7.1 Limitations of the Paper

The war outbreak between Ukraine and Russia was part of minimising the appearance and showcase in media of the release of the flagship report from the UN on climate change in April. With the instability in mind, environmental sustainability was a topic that was put further back in the mind of many during the semester of writing. However, the progress towards environmental business responsibilities is continuing to surface to consumer goods and habits. This paper discussed the environmental sustainability aspect of energy companies but had the energy sector as a representative from the vast competitive business environment.

First, our paper focused on the Norwegian based companies (some of which had international roots and/or appearances), which does not necessarily explain how other countries operate. Regulations, culture, and border policies affect how businesses operate, which were not discussed to a full extent in this paper. Second, there is a difference between private companies and state-owned companies and their strategy development. Companies are individual entities that have different business structures, which can create additional distortion to our findings.

While the informants and the company they work for have been made fully private in the process and that has been clearly communicated to them, there is a natural limitation to the study as the informants are not fully objective and may have possessed subjective views on the company that has been developed through company culture. The informants are unlikely to wish to criticise their own employer.

The interviews were conducted by inexperienced academics that may have impacted the informants through certain ques that were not apparent to us, despite our best efforts to avoid them. Further, while we argue that the findings provided in the thesis might not exclusively limit to the energy sector, the limitation of energy companies will lessen the impact of the research on other industries, but, in turn, will increase the impact of the research on the relevant sector. The research was conducted in Norwegian and subsequently translated into English and compared to the English topics. Further, we had to interpret the Norwegian slang and keywords and categorise these into the English topics which could be a factor of distortion of the correct interpretations.

7.2 Future Research

The improving set of regulations on sustainability reports required by law will make data gathering and secondary research simpler as there will be more data resembling normal financial data, it will be more comparative as companies will not be able to pick and choose which frameworks to use. This paper specifically investigated the energy sector in one country, which can for future researchers be an opportunity to compare and investigate other sectors, and whether cultural differences does compare.

Specific stakeholders' effects on companies' strategies may be investigated as this paper has focused on a broad definition of stakeholders to map the most influential ones. For instance, we were surprised from our findings that NGOs were mentioned as one of the more important stakeholders of pressure. This made us curious to understand how they compare to investors when it comes to transforming the company to a responsible business. Deeper qualitative studies into each individual stakeholders' effect would create a deeper understanding of the topic. In addition, the interrelations with each stakeholder and if they are relating their pressures to each other and how different stakeholder pressures can push and pull in different directions are interestingly developing along sustainability reporting.

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9. Appendices

Appendix 1. Interview Guide in Norwegian

INTERVJUGUIDE NORSK:

IQ 1: Hva slags kjennskap har du til bærekraftigheten i bedriften?

IQ 2 (GQ 3 + GQ 2): ESG rapportering er jo eksempelvis noe som har økt betraktelig hos bedrifter, gjelder dette også for deres bedrift?

IQ 3 (GQ 4): Tenker du at bedriften styrer mye av bærekraftigheten til bedriften selv?

IQ 4 (GQ 1): Hvilke interessenter opplever dere som mest pressende i henhold til bærekraft?

- Enten det er rapportering eller generelle krav

IQ 5 (GQ 3): Hvilke interessenter påvirker deres strategi i størst grad?

- (Rangering?) Med tanke på bærekraftighet.

IQ 6 (GQ 4): har interessenter påvirket strategien deres?

- For eksempel økt fokus på bærekraftighet

IQ 7 (GQ 2 + GQ 3): Har dere noen fast ESG-rapportering?

- Hvis nei, spør hvorfor, og evt om det er i planene.
- Det finnes nå over 600 rapporterings selskaper å vurderes etter, hvorfor har dere valgt deres?

IQ 8 (GQ 1) : Hvilke interessenter etterspør ESG-rapporter i størst grad?

- Etterspørres det av investorer eller kunder?
- Hvorfor tror du at investorene bryr seg om dette?
- Er det for å forberede seg på fremtidig regler?
- Gi et godt transparent inntrykk og fremvise bærekraft som en konkurransefortrinn?

IQ 9 (GQ 2): Har dere sett noen effekt av ESG-rapporteringen?

- Ansatte bryr seg mer om bærekraftigheten.
- Bedre rykte i media.

IQ 10: Avsluttende spørsmål hvis vi har tid: Er du positiv eller negativ til fremtiden innen bærekraftighet?

- Altså fremskritt så langt? Diverse mål fra parisavtalen og SDGs…

Appendix 2. Interview Guide Translated to English

Interview guide in English

IQ 1: What level of knowledge do you have regarding sustainability in the company?

IQ 2 (GQ 3 + GQ 2): ESG-reporting is something companies do at a higher rate than before, does this apply to your company?

IQ 3 (GQ 4): Do you consider your company to be in control of their own sustainability?

IQ 4 (GQ 1): Which stakeholders do you experience as the most pressuring in matters relating to sustainability?

- Whether applying to reporting or general requirements

IQ 5 (GQ 3): Which stakeholders affect your strategy to the largest degree?

- (Ranking?) with regard to sustainability.

IQ 6 (GQ 4): How have stakeholders affected your strategy?

- I.e., increased focus on sustainability

IQ 7 (GQ 2 + GQ 3): Do you report according to a set ESG-reporting framework?

- If not, why? Are you considering it?
- There are over 600 reporting tools to consider, why have you chosen this one?

IQ 8 (GQ 1) : Which stakeholders demand ESG-reports to the largest degree?

- Do customers or investors demand it?
- Why do you think investors care about this
- Do you do this to prepare for future legislation?
- To give a transparent impression and show sustainability as a competitive advantage?

IQ 9 (GQ 2): Have you seen any effect of the ESG-reporting?

- I.e., employees care more about sustainability
- Better reputation in the media

IQ 10: Closing question, time permitting: Are you positive or negative to the future within sustainability?

- Progress thus far, regarding goals from the Paris Agreement and the SDGs.

Appendix 3. Discussion Paper – Henrik Bergby Halvorsrød

Discussion Paper – Henrik Bergby Halvorsrød

Master's Programme in Business Administration

Competency goal: RESPONSIBLE

Introduction:

How does stakeholders pressure companies to remain, maintain, or become sustainable in their work? The aim of this thesis is to explain how, who, and what the stakeholders of a company expects and wants from companies. The thesis mainly focuses on the stakeholders of the company and its sustainability work, a key tool identified is sustainability reporting which is considered as a tool of communication with the stakeholders as well as a strategic tool that can help leverage strong sustainability into competitive advantage.

The thesis was conducted over a six-month period and includes a thorough investigation of relevant theory related to the concepts of stakeholders, strategy, sustainability, and more. Based on the literature, we decided to test some of the theories proposed relating to stakeholders and their demand for sustainability reporting and sustainability improvements in the Norwegian energy sector through a qualitative study. We tested our research question related to whether the investors of the company, one of the most prominent internal stakeholders presented in the literature, are the most pressuring stakeholder in the companies' stakeholder maps. A crucial development in the matter of sustainability for companies was identified as the increased importance of sustainability reporting. We decided to investigate sustainability reporting and how it relates to stakeholders and their demand for information, as sustainability reporting will make it easier for investors, customers, employees, and other stakeholders, to make informed decisions on who to partner with.

The research population was within the Norwegian energy sector, including publicly owned hydro-power producers and companies listed on the Oslo Stock Exchange under the sector-designation of energy. To ensure that respondents could provide accurate information, we asked for individuals that had knowledge within sustainability or communication from the company and all respondents were viewed as adequately knowledgeable about the company in question.

Prior to the research project, we had identified sustainability as a topic of passion that we wanted to investigate further, with a primary focus on environmental sustainability. This was crucially motivated throughout the master's degree at the University of Agder and due to the course requirements within the field. When digging deeper into the topic of sustainability, we realised the magnitude of the topic in research today and felt the need to limit ourselves to environmental sustainability, without discrediting the importance of social and economic sustainability as the "three-legged stool" is crucially interlinked (Morelli, 2011), and much like a three-legged stool, would fall over without one of them. This may cause an issue as sustainability is a much broader concept than investigated in this research, however, we identified environmental sustainability as the one that has been least considered by companies and the one with the most urgent call for action. An interest for my co-author came from another course at the University, and considered sustainability reporting, while this was not a course I had selected, we could see the connection this had to strategy within the company and the importance of companies to properly communicate its sustainability initiatives. Although a recent development in the business world, we considered the topic of sustainability reporting to be under-researched as it will be a crucial development for big companies to report on sustainability within few years, yet there have been little research investigating which stakeholders wants this information and how a company can best position its strategy along its reporting initiatives, both financial and non-financial.

We discovered a gap in the literature when investigating the connection between stakeholder pressure, sustainability reporting, and strategy. There were, however, a few articles that suggested a connection, Bose (2020) investigates the successfulness of having multiple and highly diverse reporting frameworks for ESG reporting. The problem investigated is that the “jungle” of ESG reporting framework (Vimme & Halvorsrød, 2022, informant #6) is difficult for companies to relate to, and difficult for stakeholders to understand as it will not be possible to compare companies to investigate their grade of sustainability. Arvidsson & Dumay (2021) is a recent study that presented a link between ESG reporting and strategic performance and suggests a research gap to how stakeholder preferences are driving improved ESG performance and report quality.

The Thesis’ link to Responsibility

A prominent line of research on companies and their role in society is referred to as ‘CSR’, Corporate Social Responsibility. A field that has developed severely since the initial proclamation from Milton Friedman (1970) that the one and only responsibility for businesses is to increase its profits. One of the last few decades’ hit-words is ‘sustainability’, which may have stemmed from the CSR-debate but has certainly grown into a broader concept. Sustainability is no longer something that is a positive for a company, it will provide the company with the license to operate and is viewed as something that can disqualify a company from a bidding process (Vimme & Halvorsrød, 2022, Informant #4). However, a company that is only environmentally sustainable is not necessarily responsible, as very few companies will be able to continue to serve the world if it is not profitable or socially sustainable. A responsible company is one that creates long-term value for society (Edmans, 2020), this idea has not necessarily considered environmental effects as a company can create value long-term without being environmentally sustainable. However, more recently it is becoming clear that the planet will be unable to sustain the current levels of pollution long-term, therefore, a responsible company must be environmentally sustainable. This can create a paradox for many companies who will not be able to become a “net zero” company without going bankrupt, therefore it is important to research the opportunity of utilizing environmental sustainability to create competitive advantage. For companies, it has been easier to show its financial numbers and create competitive advantage that way. To solve the current environmental crisis, companies must be intrinsically motivated to change its ways, one way of doing this is through a strict sustainability reporting tool that is able to differentiate strong performers and, in that way, reward companies that do things the right way. This lays the foundation for combining sustainability reporting and strategy in the thesis.

When the Sustainable Development Goals (SDGs) were introduced by the UN, it set the tone for the global agenda for companies, who are often perceived as the biggest contributor to environmental pollution (Lang & Murphy, 2014). Sustainability reporting is an attempt from the company to increase its validity, transparency, and precision of its non-financial data (Bose, 2020). Values that the companies try to obtain through sustainability reporting is consistent with the definition of CSR and responsibility.

The world of sustainability reporting has become a jungle (Vimme & Halvorsrød, 2022, Informant #6). Companies have endless opportunities to pick and choose which framework they want to present their sustainability work with. There is a clear ethical challenge here for companies as they may choose the one most beneficial to them contrary to the one that is best representative of the actual level of sustainability in the company (Bose, Evolution of ESG Reporting Frameworks, 2020). This thesis aims to understand this challenge and highlights the importance of doing good, ethical work in this department now, to create a competitive advantage when sustainability reporting becomes a requirement. More demanding stakeholders may help bridge the gap for companies that have been slacking in this department as the demand for sustainability performance indicators are becoming more specific. Especially large investors like pension funds and equity funds are increasingly specific (Vimme & Halvorsrød, 2022, Informant #2).

A responsible company must find ways to survive and to continue to serve society, in order to do that, the company needs to have a competitive strategy that can create value for customers (Porter, 1996). To continuously create value, the company must adapt to situations and innovate its business model (Teece, 2018). Baregheh, Rowley, and Sambrook (2009) defines innovation based on a literature review aimed at encompassing the existing literature and would present it as *“Innovation is the multi-stage process whereby organisations transform ideas into new or improved products, services or processes, in order to advance, compete and differentiate themselves successfully in their marketplace.”* (Baregheh et al., 2009, p. 1333). This definition lays a foundation for the consideration of sustainability reporting being an innovation that is necessary for companies to continue to have success in a changing market and is also considered as such in the analysis of the thesis.

Sustainable innovations is another topic considered in the thesis, the nature of a sustainable innovation is to improve the sustainability of the company as well as providing some of the economic advances that one may expect from an innovation (Carayannis, Grigoroudis, Del Giudice, Della Peruta, & Sindakis, 2017; Cillo, Petruzzelli, Ardito, & Del Giudice, 2019). A key aspect of sustainable innovation is that it often requires time to be effective, therefore, it requires niches within the company which allows them to continue the work on this innovation despite more short-term commitments being perceived as more important.

In our analysis, we aimed to answer two research questions:

- Which stakeholders are perceived as the most important by strategy-makers in matters relating to sustainability?
- Does sustainability reporting improve competitive advantage?

Our findings suggest that there is a key difference in importance of stakeholders as there are stakeholders perceived to be pressuring and others that are influencing the company. The main pressuring stakeholder to the companies we interviewed were customers and investors, largely customers of energy companies that provided a specific part of the value chain for larger energy producers. As the large energy producers have their own sustainability reports, they want to ensure that their providers are as environmentally sustainable as possible. Large investment funds are increasingly aware of the environmental issue and will demand non-financial information at a larger rate than before. Some of these findings does suggest that the entire sector we investigated is becoming more responsible and sustainable in their efforts, as all respondents agreed that sustainability reporting was important to them, although perhaps new. Whether this change is because of more demanding stakeholders, the company viewing it as a potential competitive advantage, or simply a need to meet the ethical challenge posed to companies regarding climate change, is hard to tell based on our research, but there does seem to be a change in mindset amongst the actors in the energy sector.

A respondent specifically mentioned that their company viewed their work with sustainability reporting as a competitive advantage, especially when legislation is put into effect. As this legislation would force their competitors to publicly post the same indicators as them, meaning they would have an advantage through having experience with sustainability reporting. Another respondent mentioned that they viewed the increased focus on sustainability reporting as having provided an effect where employees act more professionally in matters relating to sustainability. This effect is subconscious, resembling us putting on a seatbelt when we get in a car, it is not something we think about, rather something we know we must do to be safe and to avoid non-sustainable behaviour.

A key assumption to the research on sustainability reporting and competitive advantage is that customers place a concrete value on purchasing products or services from companies that are evidenced to be environmentally friendly. Based on the responses to the interviews, we believe that this assumption holds true, at least in business-to-business transactions which are more prevalent to the companies in this research.

Based on the research, and our findings, we argue that this study not only tackles an issue that is heavily related to responsibility, but maybe the largest challenge facing companies at present, as without urgent action, there will not be a future to operate in. Companies have had several challenges to deal with over the last couple of years, given the devastating pandemic that rocked the corporate world, the state of non-peace in Eastern Europe as well as the increasing environmental challenge, still, this topic was something all respondents claimed to have a top priority within the company, despite the long-term commitment necessary to provide accurate information.

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Appendix 4. Discussion Paper – Tor Kristoffer Oveland Vimme

Discussion Paper – Tor Kristoffer Oveland Vimme

Master's Programme in Business Administration

Competency goal: INTERNATIONAL

Introduction
This discussion paper addresses the relevance of the paper "Stakeholder demand for Sustainability Reporting: Changing the direction of Norwegian Energy Companies" regarding the concept international. This discussion paper is structured with a brief introduction of our thesis, followed by a discussion on how our thesis relates to international trends and forces.

Summary of our master's paper
The increasing focus on sustainability is causing difficulties for stakeholders to analyse and rate companies on non-financial matters. Decision makers are faced with increasing sustainability frameworks and no official standard framework that involves time-consuming and costs for businesses. One of the major problems sustainability managers are facing is the fact that there is no one standard sustainability reporting framework: there are different regulations, frameworks, and reporting agencies to choose when conducting sustainability reporting. Depending on the company's operations and investments in sustainability reporting, there are mixes greater than one reporting method.

Our approach was based on previous literature to gather information on the topics and provide explanations on concepts that needed clarity. The issues we discussed were derived from the following literature: Arvidsson & Dumay (2021) suggested a link between environmental, social, governance (ESG) reporting issues, and questioned the environmental policy and practice. Bose (2020) suggested reasons to why there will never be a one standardized reporting framework for sustainability reporting. Cillo, Petruzzelli, Ardito, & Del Giudice (2019) argued how long and short-term returns shape decisions regarding sustainable innovation projects. We found interest in investigating further what these papers have yet addressed:

We developed two research questions to discover the following:

1. Which stakeholders are perceived as the most important by decision makers in matters relating to sustainability?

2. Does sustainability reporting improve competitive advantage?

We have questioned stakeholders demand for sustainability reporting and discussed three specific topics of relevance in the paper: Sustainability, Stakeholders, and Strategy. These three topics were the focus of the literature review which were connected by our method section. Derived from the combined theory, we created four guiding questions to analyse through a qualitative semi-structured interview of energy companies. Last, we discussed the connections and our findings to which sustainability reporting is giving a competitive advantage and which stakeholders are most affectionate.

A semi-structured qualitative interview was conducted with an intention to address four overarching questions that needed further explaining developed from previous literature. The four guiding questions were:

GQ1: Are investors perceived as the most pressuring stakeholder in matters relating to sustainability?

GQ2: Can companies increase competitive advantage by conducting sustainability reports?

GQ3: Will increased demand from stakeholders for sustainability reporting help integrate sustainability targets in the strategy?

GQ4: Are stakeholders viewed as highly influential in their impact on the company's strategy by demanding sustainability reports?

We asked 6 companies within the Energy sector in Norway, which is most relevant as energy companies are exposed to environmental hazards and are the ones impacting the environment in the biggest degree. Further, we did our analysis on Norwegian specific companies, to reduce the population of whom we are trying to understand, to increase the validity and representativeness of our results. Based on our research, we encourage further research on the matter in different sectors and countries as there is a reason to believe that countries world-wide do or will be affected by sustainability in the nearest future.

Our findings suggest good sustainability reporting is a way of differentiation and can be a way of staying ahead of competitors in terms of transparency and responsibility. Whether this is related to a direct competitive advantage was rather unclear, as the performance measures and returns are not easy to measure. However, we found that investors are perceived as the most pressuring stakeholder in terms of sustainability reporting but acknowledge that each stakeholder have their own type of need and therefore pressure differently. Customers, employees, and NGOs are increasingly asking more questions about the production and provision of products and services which leads to internal investigations of firms. As previous literature suggests; stakeholders can influence and can be influenced by firms (Friedman & Miles, 2006; Freeman R. E., 1984, p. 46), which we found to be true in our research. For future research we suggested that one can look closer to the interrelations with each stakeholder and if they are relating their pressures to each other and how different stakeholder pressures can push and pull in different directions. We narrowed the term sustainability into environmental sustainability and follow one definition from Hart & Milstein (2003) in that sustainability is achieved when the present is improved at no cost for future opportunities.

Summary of relevant frameworks and previous courses in the master's programme

Our paper summarized previous literature through peer reviewed articles, with inclusion of some reports, papers that were given from lectures, and relevant newer articles that were published as we wrote. Most of the concepts that lied foundations of the academic literature we gathered had already been taught in lectures such as the different types of sustainability, stakeholder theory, and the concept of strategy and competitive advantage. We used several of Michael Porter's frameworks for competitive advantage including the five forces model (Porter M. E., 1979), and his three generic strategies: cost leadership, differentiation, and focus (Porter M. E., 1985). Further, we explored corporate social responsibility (CSR) towards sustainability, and most importantly connected the different views (Freeman-Friedman doctrine) on a business' responsibility (Friedman & Miles, 2006; Freeman R. E., 1984, p. 46). We chose to narrow down the term sustainability to environmental sustainability in the research, which made it possible to specify one aspect of the broad theme. We also found it relevant to include types of innovation to connect this with the sustainability issue.

In terms of ESG information and non-financial reporting, we used the thesis to further explore if there were going to be any one sustainability framework in the coming years. From previous courses, we had the impression that this was an uncertainty which gave us the idea to write on sustainability reporting. We found that the literature and the previous learnings from sustainability courses aligns and suggest that the information is indeed in its early stages and therefore are likely to be adapted and changed in the nearest future. This made our research rather explorative in the matter of mapping how energy companies behave to the abundance of sustainability reporting agencies, regulations, and frameworks.

How our paper connects to the topic "International"

Our paper is structured with a combination of literature review and a method consisting of a qualitative approach to highlight how energy companies does sustainability reporting. Our paper addresses the internationally increasing risks and danger of the sustainability threat for stakeholders and companies. We draw on most foreign studies and non-country specific reports that provide information to companies in both country-specific and general recommendations. Specifically, sustainability agencies, frameworks and regulations are formed with an international audience. In addition, within the energy sector, all the companies we interviewed had international connections in terms of stakeholders. To specify the connection further, the three topics our paper revolves around will be explained and connected separately to the topic "International".

1) Sustainability

Sustainability is a term used by many and are used in different settings depending on the context. Hart & Milstein (2003) defines sustainability as: "the expectations of improving the social and environmental performance of the present generation without compromising the ability of future generations to meet their social and environmental needs", which brings up three main different contexts that the term sustainability is used: Economic sustainability, social sustainability, and environmental sustainability. The latter was part of giving interest on our research and was used throughout our paper as context to the term sustainability. We discussed the concept of environmental sustainability and specifically investigated sustainability reporting and its role when forming a strategy.

Sustainability is increasing its popularity globally and are used in the daily language of many. Sustainability reporting being a part of this topic, we connect our research to understand how companies conduct sustainability reporting and question stakeholders' relationship to sustainability. Sustainability is a matter of a global crisis, which until recent times changed the nature of business processes. Within the energy sector we have researched, companies have changed their names to avoid the impression of being unsustainable. Sustainability is of utmost importance in the energy sector as energy is the main contributor to climate change (United Nations, 2021) and a necessity for economic systems and to life (Harris & Roach, 2018). Gas stations are becoming energy stations, and behaviour towards becoming more responsible in terms of reducing CO_2 emissions, reducing waste, and welcoming circular economy are part of the new agenda of showing business responsibility.

2) Stakeholders

From previous courses, we learned about stakeholder theory which raised the never-ending debate of whether a business is for purpose of profit. We discussed the responsibility of a company, and which stakeholders are responsible and affective. There are several types of stakeholders to take into consideration when investigating company strategy. The most important were addressed from previous literature and compared to our findings from our qualitative analysis later in the paper.

Stakeholders comes in many forms, and are increasingly a matter of international influence, as we move towards an increasingly globalized society. Investors, customers, non-governmental organisations can interfere with companies worldwide and is especially a hot topic in terms of supply chain management aspect internationally. Although we focused our analysis on Norwegian energy companies, the topic addresses the importance of stakeholders that are influenced or can influence the company. We found that stakeholders can impact the decision making in the firm, which then again can be impacted by international trends and forces. According to the Sustainable Development Goals report, energy is specified as the main contributor to climate change (United Nations, 2021). These external factors can impact the Norwegian energy sector similarly and is especially reflected on the increased electricity prices for consumers due to European gas shortage and the Ukraine-Russia war sanctions.

3) Strategy

A strategy is the overarching topic that connects stakeholders to sustainability. Strategy is about gaining competitive advantage in a company (Johnson, Scholes & Whittington, 2008). We discussed types of strategy, where processes involved innovation and new thinking. When conducting sustainability reporting, stakeholders are the demanding side of this modern reporting coverage and further expects sustainability to be presented in their strategy. We used our thesis to discuss whether sustainability reporting could lead to increased competitive advantage and showed that companies use the reporting differently to gain from different positions in the competitive environment. Specifically, one of the interviewed companies mentioned that good sustainability reporting and showing the most transparency was a way of differentiating itself from competitors. A good strategy can handle changing environment, and as mentioned the globalization calls for companies to adapt towards international influences.

Strategy comes in different shape and forms but have the overarching goal to achieve competitive advantage. International forces may influence a company's strategy regardless of where the company operates. In our research, we found that international investors were regarded as influential, and customers and trading on energy between companies are affected by international forces.

Conclusion – Is this paper connected to the topic international?

The purpose of our thesis is aimed at furthering the research on how companies tackle issues related to sustainability within their company, which stakeholder groups drive this change, and how companies can leverage strong sustainability into competitive advantage. To help decision makers and sustainability managers see if there are any competitive advantage in sustainability reporting, and what stakeholders are most interested in this information. By combining stakeholders, strategy, and sustainability we see that there is a high relevance to international trends and affections since environmental sustainability is a global concern. Despite our research on Norwegian energy companies, we encourage researchers globally to extend our research to other sectors, cross country to see if the effects on company performance can relate to the goodness of sustainability reporting.

We have in this paper compared the topic international topic and explained how they could be impacted if international trends and forces would occur. It is strongly connected to international trends, where the main concepts discussed in the paper are affected on different levels depending on the external forces. We also acknowledge that while we were writing our thesis, news articles and on-going international influence were occurring which made our paper sensitive to new ideas and information. Specifically, sustainability reporting and its influence from the published 2022 spring UN development goals report questioned further the importance of standardized reporting which could make it easier to compare companies' non-financial performance cross-country and cross-sector.

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