

# Implementing ESG: The Role of Management Control Systems

A case study of Agder Energi AS

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## PREFACE

This thesis is prepared as part of our master's degree at the University of Agder (UiA), with major in Management Accounting. We gained lots of valuable knowledge through this project such as insight into sustainable development, business management, and corporate strategy.

A sincere thank goes to Agder Energi AS for their involvement, guidance, and providing us with valuable insight and data from the very beginning of this research. Such a collaboration has strengthened our thesis and been vital for success hitting the ground running. We are beyond grateful for this opportunity, and hope that our findings can return their favor by providing valuable insight. Above all, we want to give thanks to Arve Hildebrandt, Head of Corporate Governance, for his shared expertise and collaboration from the very beginning of this research.

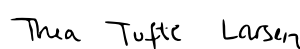
We would also like to thank our supervisor, Dr. Rafael Heinzelmann. Your reflections and shared knowledge have been of high quality at all times. This has been highly appreciated from the very beginning of our collaboration. Regular feedback, mutual respect, and an honest approach has helped us to constantly seek for improvements and bring additional perspectives into account. We are beyond grateful for the time and effort you have put into your mentoring. We are certain that your positive attitude and knowledge have provided this thesis with additional value. Thank you.

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## ABSTRACT

This study will examine how management can facilitate corporate sustainability using various control systems. With the aim to contribute to existing literature, we seek to answer the following research question: “*How can management control systems affect the implementation of ESG?*”

To describe how control systems contribute to implementation of sustainability in practice, in-depth data has been collected through interviews, observations, and documents. Additionally, shared knowledge through monitoring and guidance has provided us with a comprehensive understanding of the complexity of sustainability and management control systems.

The analysis of gathered data forms the basis for discussion against literature and theory. Rooted on empirical data, we discovered a lack of psychological ownership between the employees and the sustainable strategy. Findings reveal that competence development through interactive learning can foster an understanding of *why* individuals should take action toward a sustainable corporation. Bridging the gap between the theoretical and practical meaning of sustainability is deemed essential to foster a more efficient implementation. Thus, we identified existing and possible control systems that will lay the foundation of a successful implementation of ESG such as tangible symbols, supporting leadership, communication, and interactive learning. There are also reasons to believe that sustainable KPIs will positively affect the implementation of ESG.

Keywords: *management control systems, sustainability, ESG, sustainable control systems, implementation of ESG, energy sector, Agder Energi*

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# 1. INTRODUCTION

## 1.1. Background

Organizations are under high pressure from external and internal factors to stress how and in what way they contribute and commit to corporate sustainability (Atkinson, 2000, p. 235). In line with the increased pressure and growing environmental concern the last two decades, managers are more conscious of possibilities generating long-term benefits, such as reputational goals allowing differentiation strategies, eliminate operational costs, and addressing topics such as climate change and poverty (Forcadell et al., 2019, p. 2; Mauer et al., 2019, pp. 319-321). The Brundtland Commission introduced the concept of sustainable development as “*development that meets the needs of the present without compromising the ability of future generations to meet their own needs*” (WCED, 1987, p. 43). Dyllick and Hockerts (2002) made an elaboration of sustainability to increase the relevance in a business context with the following definition: “*meeting the needs of a firm’s direct and indirect stakeholders (...) without compromising its ability to meet the needs of future stakeholders as well*”. In accordance with the rampant literature on sustainability, managers have pivotal management strategies aiming to foster corporate sustainability. Despite manager’s acknowledgement of possible benefits, there are still significant challenges to interpret sustainability into structures, plans, and operations (Braendle et al., 2017, p.228; Epstein & Buhovac, 2010, p. 306). To that degree, Gond et al. (2012, p. 211) and Riccaboni & Leone (2010, p. 228) argue that an effective way to deal with this challenge is to completely overlap sustainability and strategy-making. Hence, they suggest fully integration of sustainability in the corporate strategy.

In response to Gond et al. (2012, p. 211) and Riccaboni & Leone (2010, p. 228) who argue for full integration, several researchers point to management control systems as an effective tool to implement sustainability (Gond et al., 2012, p. 206; Schaltegger, 2011, p. 25; Pedersen & Jørgensen, 2018, p. 155). Management control systems (i.e., MCSs) is defined as “*systems, rules, practices, values, and other activities management put in place in order to direct employee behavior*” (Malmi & Brown, 2008, p.290). Such activities are the main function of management (Merchant & Van der Stede, 2017, p. xiii & p. 3). That being said, lack of control systems can cause organizational failure, financial loss, and reputational damage (Merchant & Van der Stede, 2017, p. xiii & p. 3). Previous literature on MCSs and strategy

implementation put fingers on the importance of formal systems (Epstein et al., 2010, p. 46). Nonetheless, researchers have for decades argued for informal systems as least as effective tools to motivate and coordinate employee actions and organizational culture (Lueg & Radlach, 2016, p. 159; Flamholtz et al., 1985). To that degree, Simons (1995b) developed the Levers of controls framework (i.e., LoC). This framework is established to help understand how management of daily operations are structured in systems (Ahrens & Chapman, 2006). Simons (1995b) applies the LoC framework to explain that MCSs are both complementary and independent. MCSs control behavior but also enable activities (Simons, 1995b; Ahrens & Chapman, 2006). The former provide efficiency, fulfilling goals, and ensure predictability. The latter includes tools to encourage knowledge sharing, searching opportunities, inspiration, adaptability, and boosting employee commitment (Simons 1995; Ahrens & Chapman, 2006; Henri, 2006; Mundy, 2010). While several authors criticize the LoC framework in which it falls short, other challenges of applying MCSs to implement sustainability are brought to court as well (Ferreira & Otle, 2009; Collier, 2005; Bhimani and Langfield-Smith, 2007). In particular, Bhimani and Langfield-Smith (2007, p. 9) state that applying MCSs alone may be challenging in cases of implementing sustainability into the corporate strategy. To cope with this challenge, literature within control systems has expanded with additional dimensions, namely, sustainable control systems (i.e., SCSs) (Gond et al., 2012). SCSs are, according to Gond et al. (2012), divided into organizational integration and cognitive dimensions. These dimensions emphasize particular factors such as corporate culture and knowledge respectively (ibid.).

While Simons (1987) argues for a close relationship between MCSs and corporate strategy, Mintzberg and Waters (1985) pinpoint the fact that strategic management can be divided into strategy formulation and strategy implementation. According to Zahn (1979) is the latter aspect challenging within strategic management. Engert and Baumgartner (2016) claim there is a shortage in literature bridging the gap between formulation and implementation of corporate sustainability strategy. Notably, Baumgartner (2014) and Klettner et al. (2014) quest for case studies implementing corporate sustainability strategy.



## 1.2. Research Question and Contribution

There are several reasons why organizations should focus on sustainable operations. Academic literature supports that focusing on sustainability increases the shareholder value and has a positive impact on the bottom line (Khan et al., 2015, p. 13). There is also evidence that sustainable practices help firms become more resilient, and thus, are more prepared to avoid crises (Miceli et al., 2021, p. 4). Along these lines, Ortiz-de-Mandojana and Bansal (2016) claim that organizations adopting sustainable practices have greater chances of survival over a 15-year-period.

Studies of corporate sustainability and sustainable development have gained significant momentum in line with the increased focus of sustainability in business and societies (Ludwig & Sassen, 2021, p. 2). In addition, there are empirical studies and theoretical underpinnings about appropriate use and frameworks of MCSs (Traxler et al., 2020, p. 1). Nevertheless, there is yet to be a broad consensus of theories including the interplay between MCSs and sustainable development (Traxler et al., 2020, p. 1; Maas et al., 2016, p. 1). In that manner, Gond et al. (2012) and Gulbrandsen et al. (2015) ask for more research investigating the opportunities of MCSs and its configurations. There is also a lack of existing literature on concrete steps to bridge the gap between sustainable strategies and implementation (Engert & Baumgartner, 2015, p. 822). Hence, Jørgensen and Pedersen (2018) calls for practical guidance seeking to implement sustainability. In addition, Narayanan and Bouyce (2019) request more exploration in the strategy- and decision-making process considering sustainability.

In this context, we hope to contribute to a better understanding of the interaction between MCSs and sustainability. Our focus is directed on a practical in-depth study investigating how a specific company applies MCSs to implement ESG into their daily operations. The following research question set guidelines for the present study:

*“How does management control systems affect the implementation process of ESG?”*

Our case study will let us get a contextualized understanding of what happens in a company when seeking to incorporate a sustainable practice. The objective of qualitative research is to produce rich accounts that capture and communicate the complexity of the social and organizational world (Messner et al., 2017, p. 2). Conducting a longitudinal single case study will contribute to explain contemporary circumstances and elaborate how the social world is

produced (Messner, 2017, p. 3). According to Yin (2018, p. 33) is this method relevant when trying to explain how a social phenomenon plays out. Moreover, case studies are relevant when questions require an extensive, contextualized and in-depth description (ibid.). Likewise, this type of case study is preferred for contemporary phenomena when the relevant behavior cannot be manipulated (Yin, 2018, p. 43). Typically, case studies use a variety of evidence from different sources, such as documents, artifacts, interviews, and observations (Rowley, 2002, p. 2). Hence, a longitudinal single case study is found suitable aiming to contribute to the existing literature in the field and provide insight to our case company.

### **1.3. Outline**

Aiming to answer the research question, the thesis consists of seven chapters. Chapter 1 provides the readers with background and the research question that lays the foundation of this study. Chapter 2 gives a review of the existing literature within two particular areas; that is, sustainability and management control systems. Chapter 3 yields an in-depth description of the chosen research methodology. Chapter 4 shed light on the empirical background of Agder Energi AS. Chapter 5 presents the collected data and empirical findings. Chapter 6 carries out a discussion and reveals the final results of this study. Recommendations for further research will be highlighted in Chapter 7.

## **2. LITERATURE REVIEW**

### **2.1. Sustainability**

The present chapter aims to explore the multidimensional concept of sustainability. It includes an elaboration of key dimensions and approaches in which it attributes to the intertwining relation between the different perspectives. Chapter 2.1.1. discusses different definitions of the term sustainability. Chapter 2.1.2. addresses the business case of sustainability and the term ESG. Chapter 2.1.3. stresses the backlash of reaching sustainable goals due to Covid-19. Furthermore, it includes the importance of implementing ESG in the corporate strategy to meet current expectations.

#### **2.1.1. Defining Sustainability**

The significant momentum of research within the field of sustainability implies that organizations can be, and are becoming, part of a solution to solve the sustainability challenges (Ludwig & Sassen, 2021, p. 2; Pedersen & Jørgensen, 2018; Swarnapali, 2017, p. 1). Issues related to corporate social responsibility (i.e., CSR) have a long history (Solomon, 1992, p. 322). However, voluntary initiatives for CSR, in which organizations converge to fully integrate strategic management and corporate governance, has not been brought up for discussion until the last century (Carroll, 2008, p. 26). The current quest for sustainability, driven by ecological and social trends, have thus emerged in a distinct field with a variety of perspectives and myriad interpretations (Kajikawa et al., 2014, p. 431; Purvis et al., 2019, p. 681).

##### **2.1.1.1. Sustainable Development**

Probably the most cited and well-known definition of sustainability is the concept of *sustainable development* that was contrived and published in *Our Common Future* by the World Commission on Environment and Development (i.e., The Brundtland Commission) in 1987 (WCED, 1987). The Brundtland Commission popularized and prominently defined the term sustainable development as “*development that meets the needs of the present without compromising the ability of future generations to meet their own needs*” (WCED, 1987, p. 43). Thus, it seeks to grow awareness of economic development without compromising the inherent fragility of ecosystems (Wiersum, 1995, p. 321). The concept of sustainable

development (i.e., SD) is widely recognized by scholars because of how it reassesses the environment, development, and governance while promoting economic growth (WCED, 1987, p. 23; Sneddon et al., 2006, p. 253; Pedersen & Jørgensen, 2018, p. 40). On the contrary, several authors predict that the concept of SD has evolved into a political idea including a vast range of social dimensions such as fighting poverty, health, gender equality, and social justice (Pedersen & Jørgensen, 2018, p. 41; Wiersum, 1995, p. 321). According to Dixon and Fallon (1989), the term sustainability still suffers from being “(...) *defined so broadly as to be open to widely disparate interpretations, which creates potential for misunderstanding*” (Dixon & Fallon, 1989; as cited in Wiersum, 1995, p. 321). Careful thoughts must, therefore, be given to concretize the exact meaning to escape the pitfall of becoming a buzzword (Dixon & Fallon, 1989; Wiersum, 1995).

#### **2.1.1.2. Sustainability as an Interrelated Concept**

Dyllick and Hockert (2002, p. 131) understand SD as an integrated concept according to which sustainability is defined as “*meeting the needs of a firm’s direct and indirect stakeholders (...) without compromising its ability to meet the needs of future stakeholders as well*”. This understanding of SD is rather an application of the given term that was popularized by the Brundtland Commission but it features the corporate level to increase its relevance (Caputo et al., 2017, p. 977). Based on the Brundtland Report from 1987, Elkington (2004, pp. 1-3) developed an integrated framework, the so called Triple Bottom Line (i.e. TBL), consisting of environmental, social, and economic pillars. In the following year, an alternative to the TBL was invented, recognized as the 3P’s; people, planet, and profit (Elkington, 2004, p. 2). In the manner of realizing the concept of sustainability as an interrelated perspective follows Dyllick and Hockert’s (2002) terminology. They suggest three core elements to identify sustainable development; that is, economic, ecological, and social aspects in a triple-bottom line (Dyllick & Hockerts, 2002, p. 132). Furthermore, Dixon and Fallon (1989) argue for a comprehensive yet descriptive manner of sustainability. They refer to the concept as a social-physical-economic approach (Dixon & Fallon, 1989, p. 74). From this point of view, an integrated application that comprises several dimensions simultaneously ensures, thus, a “sustainable state” (Gray, 2010, p. 57). Research presented by authors such as Yan et al. (2009) and Blengini and Shields (2010) discuss sustainability through one single pillar, primarily alluding to either environmental or social aspects. Others, like Collins et al. (2007) and Frame and Newton (2007) consider two or more pillars to

achieve corporate sustainability in the long run. In respect to the latter realization, Alhaddi (2015) shed light on the maintained relevance of SD introduced by The Brundtland Commission. Despite its potential drawbacks, the construction between the present society and its surroundings in order for a future existence of the planet is properly addressed (Aras & Crowther, 2009, p. 211; Hart & Milstein, 2003, p. 58).

Due to external pressure from society and stakeholders to tackle leading issues such as poverty, famine, and deadly diseases, the WCED developed the Sustainable Development Goals (i.e., SDGs) in 2015 based on the UN report from 1987 (Oslo Governance Center, n.d.). The aim of the 17 interconnected goals is to pivot organizations to commit to ending the global challenges the world is facing today (The United Nations, 2020). In that matter, researchers point out the advanced applicability of the UN definition seeing that SD has become one of the foremost issues of the world (Ambec & Lanoie, 2008, p. 45; Epstein & Buhovac, 2014, p. 5; Lippmann, 2010, p. 7). Ever since the SDGs were adopted in 2015, the concept of sustainability has largely replaced the concept of corporate responsibility (i.e. CR) (Footprint, 2021). Furthermore, Dyllick & Hockerts (2002, p. 130) asserts that the interrelated perspective of sustainability in a triple bottom line had a widespread acceptance among business leaders, politicians, and NGO's since the 90's, assuming that none of the components can be settled without bringing all of the aspects into account (Keating, 1993). This way of thinking has also been recognized by Drexhage and Murphy (2010, p. 6), claiming that: "*sustainable development embodies integration, and understanding and acting on the complex interconnections that exist between the environment, economy, and society*". The term sustainability will, thus, be used in accordance with the UN definition of sustainable development throughout this thesis, including economic, ecologic, and social conditions.

### **2.1.2. The Business Case of Sustainability - ESG**

The issue of whether companies ought to minimize their ecological footprints and commit to sustainable actions is no longer up for discussion (Atkinson, 2000, p. 235; Epstein & Buhovac, 2014, p. 1). Most people agree on the importance of sustainability (Gray, 2010, p. 53). Furthermore, managers acknowledge potential benefits such as allowing differentiation strategies, minimizing operational costs, and becoming more resilient (Forcadell et al., 2019, p. 2; Mauer et al., 2019, pp. 319-321; Miceli et al., 2021). In fact, Ortiz-de-Mandojana & Bansal (2016) calls for increased chances to sustain its competitiveness over a 15-year-period. So, it is not about *whether* organizations should consider sustainable measures, but

rather *how* to incorporate it into daily operations (Epstein & Buhovac, 2014, p. 1). In light of the latter challenge of sustainability, it is in the investors' and stakeholders' interests to measure how well an organization has incorporated a sustainable practice (Eccles & Klimenko, 2019). Consequently, factors to evaluate, measure, and inform stakeholders about the organization's environmental and social impacts has been contrived through ESG (Robeco, n.d.b.).

The terms sustainability and ESG are often used interchangeably, although it does not mean they are the same (Berntsen & Tønseth, 2021). Sustainability, on the one hand, suffers from ubiquity of its definition and encompasses all actions of "going green" (Dixon & Fallon, 1989, p. 21). ESG, on the other hand, is a specific term defined by three key aspects; that is, environmental, social, and governance (Niemoller, 2021). ESG have become decisive indicators for tackling a more comprehensive field of non-financial, intangible factors, and to support expertise within risk management (Boerner, 2011, p. 35; Galbreath, 2013, p. 530; Kiernan, 2007, p. 480; Yegnasubramanian, 2008, p. 7). Thus, ESG has evolved to be the preferred term in the capital markets including ESG practices, performance, and reporting (Berntsen & Tønseth, 2021).

#### **2.1.2.1. Environmental**

Each of the three aspects in ESG comprises a wide range of criteria which must be fulfilled by either the investors or by the organization that is adopting an ESG-friendly stance (CFI, n.d.). The quest to combat climate change has resulted in environmental ("E") criteria including pillars reflecting the organization's carbon footprint, environmental impact, and the use of resources (Boffo et al., 2020, p. 3). Businesses have by its nature started to draw attention toward environmental areas such as resource depletion, energy efficiency, and environmental hazards in the water, air, and soil (Robeco, n.d.a.). In the context of the environmental pillar, researchers conducted by OECD (2020) argue, however, that top performing organizations do not always represent a positive impact on the environment or low carbon emission (Boffo et al., 2020, p. 28). Their findings demonstrate other shortcomings in terms of limited comparability, lack of transparency, selection bias, limited scope with metrics, and subjectivity (Boffo et al., 2020, pp. 33-34). To this end, an emerging set of frameworks, including GRI and EU Taxonomy Climate Delegaty Act, has been prepared with the aim to give a fundamental view of environmental performance within the

company and responding to potential drawbacks of measuring the environmental impact from a single metric (Boffo et al., 2020, p. 38; the European Union, 2021; Value Reporting Foundation, n.d.).

### **2.1.2.2. Social**

In parallel, social (“S”) considerations cover ample aspects and aim to improve the quality of human existence at different levels (Robeco, n.d.c.). Carroll (1979) deals with the vast literature on corporate social practices (CSP) by dividing the concept into three core aspects. The first aspect, *corporate social responsibility*, includes economic, legal, and ethical dimensions. The second aspect, *corporate social responsiveness*, refers to reactions, accommodations, and pro-actions. The latter aspect, *social issues*, reflects the dimensions of consumers, employees, and stakeholders (Carroll, 1979, pp. 500-501). At the corporate level, the social criteria aim to compliance with the applicable laws in respect to maintaining fair pay, embracing diversity in accordance with ethnicity, age, and gender, and paying attention to the corporate’s impacts on the local population (Galbreath, 2013, p. 530; Nasdaq, 2020, p. 28; Robeco, n.d.c).

### **2.1.2.3. Governance**

Corporate governance (“G”) is a converging topic because challenges related to transparency, ethics, disclosure, and accountability regularly affect business decisions (Kaymak & Bektas, 2017). Lerach (2002) points out that today's governance regime puts additional emphasis on commitment to fairness and transparency. Globalization and unlimited spread of information puts additional expectations from managers to incorporate diverse issues and interest groups (Kaymak & Bektas, 2017). Thus, it places greater disclosure of external and internal practices in a company. In alignment with Lerach (2002), McBarnet (2009) calls for changes in the field of corporate governance. Specifically, McBarnet (2009, p. 1) states that CSR is incorporated into governance as managers must address issues related to social, environmental, and public topics. In that manner, new questions must be deliberated; such as, what is the business for?, how should the TBL be balanced?, and who should have a say in the operational business? (Elkington, 2004, p. 7). Companies that are good at corporate governance and manage to respond to such questions, have thus a greater chance to achieve a sustainable corporation (ibid.). In the effort to enhance ESG fundamentals and transparency, strict policies such as the Nasdaq Ethics and TCFD include guidelines to put corporate

governance into practice (Nasdaq, 2020, p. 7). Keeping this in mind, Tarmuji et al. (2016, p. 67) argue that a collective focus of the three aspects of ESG could strengthen management practice and at the same time increase the financial performance.

### **2.1.3. Setbacks Due to Covid-19**

The unexpected pandemic, which had its first outbreak in March 2020, has affected every country in the world up till this point (Megna, 2020, p. 1; UN DESA, 2021, p. 94). For instance, an increased number of people have been pushed into extreme poverty, regions recognize disruptions of health-care programs and education, and an excess of 5,4 millions of deaths are registered worldwide (UN DESA, 2021, p. 5). Due to the global challenges, WHO (2022) states that the pandemic has caused serious setbacks in the progress of reaching the SDGs. Illuminated by the latter statement, the UN Report (2021) asserts that all countries, including corporations, should aim for universal health care and social protection to overcome the shortfalls due to Covid-19 (UN DESA, 2021, p.126).

The backlash of the pandemic and the growing concern of SD has led to a pressure towards comprehensive corporate sustainability management (Schaltegger et al., 2022, p. 2). Linnenluecke et al. (2015, p. 917) and Whiteman et al. (2012, p. 330) encourage advancement in sustainable management accounting (i.e., SMA) including sustainable reporting- and accounting-systems. The rise of sustainability reporting has insofar been criticized as there is *“an essential conflict between financial and other bottom lines, which, for the foreseeable future at least, the financial will always win”* (Gray & Milne, 2002, p. 2). Such an argument is elaborated by myriad publications, whose question arises of whether sustainability reporting frameworks, such as GRI, consider societal and governmental issues in light of sustainability (Gray & Milne, 2002, p. 3).

Although investors and shareholders recognized sustainability as a viable business strategy in the early 70's, Ioannou and Serafeim (2017) argue that the acknowledgement of ESG investments has evolved in line with SMA that enhance comparability and credibility (Ioannou & Serafeim, 2017, p. 1; Richardson, 2009, p. 555; Swarnapali, 2017, p. 1). Till this end, and regardless of the criticism in accounting for sustainability, Gray (2010, p. 59) yields that hesitation and resistance of sustainability seems to be folly. The emergence of sustainability problems, shareholders recognition of ESG, and evolving policies and initiatives brings pressure on companies to bear practices beyond the financial perspective



(Berntsen & Tønseth, 2021; Eckert & Kovalevska, 2021, p. 1). Furthermore, Tarmuji et al., (2016, p. 68) claim that businesses with a high degree of ESG performance allows management with extensive and precise information ensuring long term success. That being so, ESG practices attract new shareholders, eligible employees, and generate corporate value in terms of economic performance (Buniamin, 2010; Melnyk et al., 2003). Management that discloses ESG in day-to-day operations are, thus, credited with integrity and reputation gains, thereby an increased trust from shareholders that is decisive to stay competitive (Tarmuji, 2016, p. 72). Despite all the benefits of ESG practices, various obstacles prevent companies from incorporating ESG strategies (Farnham, 2021). For instance, lack of frameworks of ESG reporting, lack of visibility of subsidiaries and entities, and historical lack of benchmark data (ibid.). Although it can be relatively easy to identify ESG objectives, businesses are still struggling to put the objectives into practice based on agreed upon metrics and consistent reporting structures (ibid.).

## **2.2. Management Control Systems**

This chapter includes a brief introduction of the term management control systems. Chapter 2.2.1. presents the theoretical characterization of control systems. A discussion of management control systems as a package will be highlighted in Chapter 2.2.2. Furthermore, Chapter 2.2.3. and Chapter 2.2.4. bear emphasis on management control systems for sustainability and challenges to implement corporate sustainability strategy respectively.

### **2.2.1. Management Control Systems**

Management control systems (i.e., MCSs) have their roots in the management control literature and comprise a wide collection of mechanisms for directing employees' behavior towards organizational objectives (Anthony, 1965; Merchant & Van der Stede, 2017, p. 11). In fact, for managers to align overall objectives, Malmi and Brown (2008, p. 290) employ MCSs as "*systems, rules, practices, values, and other activities management put in place in order to direct employee behavior*". The systems are characterized as the core function of management. Lack of control systems can, therefore, lead to organizational failure, financial loss, and reputational damage (Merchant & Van der Stede, 2017, p. xiii & p. 3).

The use of MCSs differ considerably within organizations and entities (Merchant & Van der Stede, 2017, p. 19). That said, control systems commonly include a consolidation of formal and informal mechanisms that aim to regulate the behavior of employees (Malmi & Brown, 2008, p. 290). *Formal controls* are contractual obligations that comprise rules, performance evaluation, reward criteria, and budgeting systems to control results through feedback and feed forward loops (Lueg and Radlach, 2016, p. 159; Langfield-Smith, 1997, p. 208, Norris & O'Dwyer, 2004, p. 177). These control systems are often visible and financially oriented (Daft & Macintosh, 1984). On the contrary, *informal controls* encompass shared beliefs, norms, values, commitments, and culture (Langfield-Smith, 1997, p. 208). Individuals in a company tend to take on a coworker's expectations. Especially in cohesive units or groups. Informal controls are, therefore, deemed powerful tools to influence employees' behavior (Daft & Macintosh, 1984, p. 45; Kerr & Slocum, 1981). Management control has traditionally been associated with formal, accounting-based controls that aim to provide useful information in control, decision making, planning and evaluation (Anthony, 1965; Kaplan, 1983, p. 688). Nevertheless, increased attention has pointed towards informal controls in both research and practice. In particular, research shows that informal controls are powerful when creating an impact on employees' behavior when aligning corporate and personal goals (Chenhall & Langfield-Smith, 2003; Ferreira & Otley, 2009; Malmi & Brown, 2008).

### **2.2.2. Management Control Systems as a package**

A broad array of scholars has investigated MCSs as the concept of an integrated package (Anthony & Dearden, 1980; Ginzberg, 1980; Otley, 1980; Malmi & Brown, 2008). Rather than focusing exclusively on either formal or informal control mechanisms, findings show that other types of controls may be necessary. Hence, control systems have to be understood in an entirety (Daft & Macintosh, 1984). Daft and Macintosh (1984, p. 47) argue, however, that the proper configuration is yet to be identified. In searching for the correct configuration, Simons (1995b) has developed a cohesive and comprehensive action-oriented framework; The Levers of Control (i.e. LoC). By using four basic levers, Simons (1995b) illustrates that balance is about integrating the four levers at the same time to enhance creativity, innovation and control simultaneously (Kruis et al., 2015, p.3). Elaboration of the LoC framework is presented in the following sub-chapter.

### 2.2.2.1. The Levers of Control Framework

Simons (1995b, p. 5) defines MCSs as “*formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities*”. His understanding of MCSs starts with putting strategy at the core of the analysis. In particular, Simons (1995b) presents four key constructs that must be analyzed and understood to accomplish a successful strategy implementation; that is, core values, risks to be avoided, critical performance variables, and strategic uncertainties. Each construct is controlled by different systems, established as the four levers of control and constitutes the LoC framework: belief systems, boundary systems, diagnostic control systems, and interactive control systems (ibid.). The LoC framework will, according to Nisiyama and Oyadomari (2012, p. 106) “provide a better understanding of the application of managerial controls” (as cited in Pletsch & Lavarda, 2016, p. 18).

*Belief systems* is a set of organizational definitions that are used to provide basic values, purpose, and direction of the organization (Simons, 1995b, p. 33). In line with Widener’s (2007, p. 2) definition of belief systems, namely “core values”, are these kinds of controls closely linked to the business strategy of the company. On that account, Simons (1995b) explains that the primary purpose of this system is to inspire and guide organizational search and discovery. Martyn et al. (2016, p. 6) suggests that the key variable in corporate strategy is the core values of the company. Even so, Simons (2000) states that the organization’s core values often emerge from the personal values of the founder and that they provide guidance. Belief systems present, side-by-side with boundary systems, the formal, informative-based routines that managers use to maintain or alters patterns in business operations (Simons, 1995b, p. 57).

*Boundary systems* are the second lever of control, and are also recognized as “behavioral constraints” (Widener, 2007, p. 757). These boundaries establish limits, based on defined business risks to opportunity-seeking (Simons, 1995b, p. 34). It focuses on which activities are not acceptable and should not be pursued. Simons (1994, p. 170) also refers to boundary controls as “*formal systems used by top managers to establish explicit limits and rules which must be respected*”. This applies to people in companies that search for ways to create value or overcome obstacles when presented with new information. A set of boundaries could

essentially be a negative system, but it allows managers to delegate decision making and thereby allow the company to achieve flexibility and creativity (Simons, 1995b).

The third lever of control is the *diagnostic control system*. These are feedback and measurement systems that are designed to ensure predictable goal achievement and work towards implementing intended strategies (Simons, 1995b, p. 59). The diagnostic control system seeks to motivate employees to align their behavior in accordance with the organization's objectives (Widener, 2007, p. 760). Hence, Widener (2007, p. 757) refers to these systems as monitoring to explain the purpose. Managers can apply diagnostic controls to follow up on employee's decisions, and ensure they are in line with organizational goals. Along these lines, Simons (1995b) presents three features that distinguish diagnostic control systems; (1) the ability to measure output of a process, (2) predetermined standards against which actual results can be compared, and (3) the ability to correct deviations from standards. Diagnostic control systems, which monitor organizational outcomes, are therefore essential levers for implementing intended strategies (Simons, 1995b, p. 63). To identify the correct but critical performance variables, it is necessary to analyze the company's intended strategy and the associated goals. Dysfunctional side effects could arise from measuring the wrong variables. If measures and targets are incorrectly specified, the organization may be going in the wrong direction (Simons, 1995b).

The fourth lever of control is the *interactive control system*. Interactive control systems are formal information systems that managers use frequently to get involved in the decision making with subordinates (Simons, 1995b, p. 95). Hence, such controls are applied from the perspective of top management (Widener, 2007, p. 757). They provide the information for communication between superior and subordinates. The control systems direct attention and force dialogue through the organization. Widener (2007) posits that organizational learning through interactive learning positively affects a company's performance. De Haas and Kleingeld (1999, p. 235) specify that interactive learning and active participation in decision making can foster increased performance and satisfaction through motivational and cognitive means. In fact, it can result in increased knowledge, information, and creativity (De Haas & Kleingeld, 1999) Furthermore, managing the tension between creative innovation and predictable goal achievement is the essence of management control. In competitive markets, where the dynamics often change, managers must encourage continuous search activity and create information networks to report critical changes. In that manner, to apply a control

system interactively, the MCSs must fulfill five conditions; “(1) *The system must require reforecasting of future states based on revised current information*, (2) *the information contained in a control system must be simple to understand*, (3) *a control system must be used not only by senior managers but also by managers at multiple levels of the organization*, (4) *a control system must trigger revised action plans*, and (5) *a control system must collect and generate information that relates to the effects of strategic uncertainties on the strategy of the business*” (Simons, 1995b, p. 108).

#### **2.2.2.2. The Important Balance of the Four Levers**

The combination of the four levers as a package permits management to balance the paradox between predictability and growth (Martyn et al., 2016, p. 284). This is in alignment with Simons (1995b, p. 10) argument, claiming that each of the four levers have an individual purpose that altogether puts “plan, pattern, position, and perspective” into the management strategy (Martyn et al., 2016, p. 284). Although the pair of levers are designed to pull in the opposite directions, Simons (1995b) highlights that each of the four forces are highly interdependent. In particular, Milgrom and Roberts (1995) demonstrates that control features can be complementary; that means, “increasing the emphasis on one control component increases the benefits received from increasing the emphasis on other control components” (Widener, 2007, p. 760). Simons (1995b) posits that two of the levers in the LoC have a positive manner while the other two creates negative energy. Thus, Simons, (1995b) argues that the belief and interactive control systems are positively affecting the other levers, while the boundary and diagnostic systems are negatively influencing the others. They are only powerful when the levers are combined and thus create a “dynamic tension between opportunistic innovation and predictable goal achievement” (Simons, 1995, p. 153). The same reasoning applies in Malmi and Brown (2008), calling for management control systems as a package. Isolating some of the control systems neglect the interplay between the levers (Mundy, 2010, p. 504; Widener, 2007). Indeed, a well-established literature considering the forces as a balanced package has evolved in recent years (Bruining et al., 2004; Revellino & Mouritsen, 2009). The interdependency between the levers is initially applied by Granlund and Taipaleenmäki (2005). They illustrate through the LoC how the combination of different forces can evolve into innovative solutions within the company’s boundary system and direct a positive attention to performance (Granlund & Taipaleenmäki, 2005, p. 45; Henri, 2006, p. 544; Simons, 1995b, p. 10).

Lack of balance between each of the four levers can lead to displeasing effects and ineffective control environment (Mundy, 2010, p. 504; Simons, 2000, p. 301). Simons (1995a) claims that businesses competing in a dynamic environment, with strong and motivating belief systems, require outstanding boundary systems to maintain successful business. A balanced combination between the pairs enhances organizational learning, autonomy and innovation (Widener, 2007, p. 781). In contrast, Mundy (2010, pp. 501-502) posits that rigid boundaries hinder opportunity-seeking behavior beyond the optimal use of resources. Also, other authors reveal that separate control systems should be considered within the corporate strategy (Martyn et al., 2016, p. 284; Simons, 1995b, p. 152). Unless the control systems are properly aligned, Miles et al. (1978, p. 557) consider strategy as a mere statement, not an effective guide to the desired behavior. Nevertheless, Mundy (2010, p. 504) pinpoints that balance and dynamic forces derive from the interrelations of control systems, and concludes it is, therefore, essential to study the LoC as a package.

### **2.2.2.3. Critique of the LoC Framework**

A number of scholars have been criticized for not being able capturing the richness of their empirical setting by drawing on the LoC framework as the framework's mobilization seems to lead to some sort of "boxing" in the analysis implicated by its design and use (Ferreira & Otley, 2009, p. 264). In response, the LoC framework was intended to provide a comprehensive perspective through a balanced package (Ferreira & Otley, 2009, p. 265). However, management literature highlights several aspects in which they argue the LoC Framework falls short (Ferreira, 2002; Ferreira & Otley, 2009, p. 265-266).

Collier's (2005, p. 324) emphasizes one of the weaknesses; that is, lack of socio-ideological controls. The informal control systems are less visible, however, these systems are acknowledged to be as least as important as formal controls (Bedford et al., 2016; Flamholtz et al., 1985; Ouchi, 1979). In fact, Collier (2005, p. 416) finds that informal control systems are the driving force in entrepreneurial corporations. Laguir et al. (2019, p. 532) specifies how informal systems encourage certain business environments through common values, beliefs, and traditions. Although Simons (1995b) addresses belief systems as one of the control mechanisms, informal controls like socialization, group norms, and culture are not presented (Collier, 2005, p. 324). Ditillo (2004) finds that socio-ideological control is

intertwined with formal controls in a complex manner, rather than being alternatives. Lurking within these findings, Collier (2005, p. 325) concludes that control systems cannot be perceived as anything but a combination of formal and informal controls. Nevertheless, lack of socio-ideological controls becomes more acute in environments where informal controls are essential (Ferreira & Otley, 2009, p. 266).

Another limitation is the lack of applicability (Berry et al., 2009, p. 6). The LoC were conceptualized at the top management level (Simons, 1994). That being so, Berry et al. (2009) points out difficulties to apply the framework on any other levels. Considering the sole focus on senior management and neglecting the lower hierarchical levels, Martyn et al., (2016) query whether the framework remains its pertinence. Particularly because the role of middle managers has changed as market elements have penetrated alternative structures of the traditional bureaucracy (Martyn et al., 2016, p. 284; Monteiro & Adler, 2021, p. 37). Similarly, Malmi and Brown (2008) stress the lack of applicability by criticizing Simons' (1987) narrow definition of MCSs; that is, "*the formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities*". For these reasons, researchers have sought to address the limitations by including the middle management level through an expanded framework that builds on Simons' approach (Ferreira & Otley, 2005; Otley, 1999). Martyn et al., (2016) proceed with the criticism, arguing that the LoC framework focuses on large companies. Nevertheless, such issues of concern have been conceptualized in recent frameworks that include small and medium-sized companies (Granlund & Taipaleenmäki, 2005). While Ferreira & Otley (2009) assert that the LoC approach can be applied in non-profit organizations as well as for-profit organizations, Simons' framework maintains its relevance to a great extent.

The third shortcoming that is highlighted is lack of accurate definitions embedded in the framework (Ferreira & Otley, 2009, p. 266). There is no shortage in literature that supports this statement, of which Ferreira (2002) describes how ambiguity leaves a large field of subjective interpretations. Some control mechanisms, such as budgets and the balanced scorecard, are found to be used both diagnostically and interactively (Abernethy & Brownell, 1999; Tuomela, 2005). Likewise, Ferreira & Otley (2009, p. 265) claim that one of the levers in the FoC framework, the interactive controls, is separated into the "interactive use of controls" and the "strategic validity controls". In this relation, Ferreira (2002) explains that the same control systems may be included in several levers. The diversity stems from the

emphasis that is given in the *use* of the system - either with a traditional control approach or a learning-oriented approach (Ferreira & Otley, 2009, p. 265). Yet, the value of determining the application of a control system has been recognized by both Hopwood (1972) and Otley (1978). In accordance with Martyn et al. (2016), who suggests that the deviation in the applicability indicates vagueness, Ferreira and Otley (2009, p. 265) highlight the blind spot in Simons' framework in which ambiguity can lead to confusion. On the other hand, the concept of "use" is not well-established in the literature (Ferreira & Otley, 2009, p. 274). Thus, Broadbent and Laughlin (2007) query the issue of "use" recognized by Ferreira and Otley (2009). Their study conveys that the interconnectedness between organizations and employees is crucial and "*... use requires the questions to be asked at several hierarchical levels right down to first level management, and evidence gathering about patterns of usage and behavior at each level*" (Broadbent & Laughlin, 2007, p. 15). The definition of "use" should be explicitly emphasized, and consequently these findings dispute as to whether the framework itself is too vague (ibid.).

The foundation of Simons' framework (1995b) builds on the fact that the levers must be considered as a balanced package, and not in isolation. While the levers are mutually interdependent, the LoC framework provides a holistic approach (Ferreira & Otley, 2009; Mundy, 2010; Widener, 2007). In alignment, Ferreira & Otley (2009) argue for its usefulness based on two components. Firstly, they emphasize the simplicity to include additional tools that complement the LoC framework (Ferreira & Otley, 2009, p. 266). And secondly, the framework yields a way to allocate and observe complex datasets through the interrelationship between the levers (Widener, 2007; Ferreira & Otley, 2009 p. 264). The latter strength shed light on the usefulness of LoC in in-depth descriptive case-studies.

### **2.2.3. Management Control Systems for Sustainability**

Gond et al. (2012) expand Simons' (1995) LoC framework by including additional management control systems directed for sustainability. This is familiarized as sustainable control systems (i.e., SCSs). They perceive a difference in the two possible uses of SCS and MCS; that is, a diagnostic use and an interactive use. This discussion implicitly also looks at the belief and boundary systems.

Traditional MCSs have been developed to align organizational and behavioral structures with the economic goals to improve the economic performance. According to Bhimani and



Langfield-Smith (2007, p. 9), financial and non-financial can be seen as equally important to strategy development and related activities. So, a solely focus on MCSs can be limited when implementing sustainability in a corporate strategy. Therefore, an extensive point of view, looking at the relationship between MCSs and SCSs, adds another dimension of integration. Gond et al. (2012) describes organizational integration and cognitive dimensions as two structures for integration dimensions. *Organizational integration* refers to the ability to integrate sustainability into the corporate strategy through actions. It is something people *do* (Gond et al., 2012, p. 209). Also, Ahrens and Chapman (2006) claim there has to be a practical perspective between management control and strategy. Another dimension is that sustainability is integrated into culture through initiatives, communication, and engagement by top management and employees (Lueg & Radlach, 2016, p. 161). In this integration it is also beneficial to have a clear definition of roles and structure the organization in ways that facilitates for employees to become specialists in sustainability reporting and a common understanding of the basics. By creating groups that have created similar practices, and share a set of common practices, although they do not belong to the same part of the organizational structure, organizational integration can be achieved (Gond et al, 2012, p. 210). The *cognitive dimension* is concerned about shared activity and knowledge, and where the collective activity has an impact on the overall group goals and activities. The higher this level of shared cognition, the more beneficial towards solution approaches. Communication platforms and facilitating interactions that create discussions between people in the same company have to be present for employees and managers working on strategy and sustainability (Gond et al, 2012, p. 210). In that manner, Corsi et al. (2017, p. 135) argue that digital platforms are relevant tools for communication because they offer the opportunity for interacting with several subjects able to contribute to the creation of organizational knowledge.

In alignment with Gond et al. (2012), who argue for shared knowledge due to the cognitive dimension, Han et al. (2010) claim that knowledge sharing is also positively associated with psychological ownership. Chang and Hung (2021, p. 2) refer to psychological ownership as “*a situation in which the psychological ownership effects appear, causing people to regard a thing as their possession and extension*”. In particular, for employees to establish a sense of psychological ownership in a company, Pierce et al. (2001, p. 300) argue that either one of the four roots must be fulfilled: (1) effectiveness and efficiency, (2) personal identity, (3) having a place, and (4) stimulation. An employee can, for instance, achieve ownership through experiences at work. By placing effort, emotions, and “a part of themselves” into a

task, a sense of ownership will arise due to their personal identity (Pierce et al., 2001). Furthermore, Qian (2016) and Chiu et al. (2007) suggest that from a business point of view, psychological ownership can stem from factors such as corporate goals, leadership, culture, and manager's mindset. If the management develops a link between personal emotions and work, it will enhance a more active and positive attitude among employees (Beggan, 1992; Chang, 2020). With the global wave of environmental concern, sharing knowledge about sustainability has, according to Chang & Hung (2021), become a key factor for companies to succeed in becoming a sustainable corporation.

Gond et al (2012, p. 211) presents “ideal types” of integration related to organizational configurations. The *integrated sustainability strategy* is a strategy that uses both diagnostic and interactive systems. This strategy involves sustainability and strategy-making completely overlapping each other, and allows the sustainability strategy to be deployed in the integrated systems. Sustainable targets can be translated into measurable targets that managers can control and achieve and report them correctly. This configuration is seen as stable since ongoing strategies can reinforce each other over time. If the organization manages to use interactive systems in the right way, it enables organizational learning and enhances organizational performance on multiple levels (Gond and Herrbach, 2006). Porter and Kramer (2006, p. 10) explains that a sustainable strategy and shared values can strengthen an organization's competitive advantage. Using sustainability strategy interactively can push the organization in the direction of sustainability integration within strategy.

#### **2.2.4. Bridging the Gap Between Strategy Formulation and Implementation**

Simons (1987) claims there is a strong relationship between the use of MCSs and corporate strategy. In essence, Mintzberg and Waters (1985) argue that strategic management includes two core aspects; that is, strategy formulation and strategy implementation. *Strategy formulation* is the mechanism of establishing the strategy (Mintzberg & Waters, 1985). It addresses questions like “where are we today?” and “where do we want to be in the future?” (ibid.). Thus, organizations must employ internal and external analysis of the organization, in as much as the industry it operates (ibid.). Zahn (1979) states, however, that the difficulty within strategic management is the process of implementing the corporate strategy. *Strategy implementation* addresses problems such as “how can we reach the objectives?” (Engert & Baumgartner, 2016, p. 823). Kotler (2001, p. 36) claims that strategy implementations encompass the transformation from plan to action. The action assignment ensures that the

objectives are accomplished the way it was initially planned (Kotler, 2001, p. 36). “Unfortunately, as important a strategy can be to a company's success, a strategic plan without the process to implement it is just talk, a pile of worthless documents” (Hammer, 1996, p. 103). Academics agree that the formulation of a corporate sustainability strategy is essential for organizational survival (Engert & Baumgartner, 2016, p. 822). Nevertheless, shortcomings to bridge the gap between formulation and implementation remain significant (ibid.). Researchers call, therefore, for more case studies to gain knowledge in the field (Baumgartner, 2014; Gulbrandsen et al., 2015; Maas et al., 2016; Klettner et al., 2014; Traxler et al., 2020).

Li et al. (2008, p. 3) argue that sustainability strategy implementation has become a vital yet a complex challenge assigned to all managers. While strategy implementations can, for instance, fail because of an excessive focus on financial measures or lack of commitment, additional challenges occur due to the actuality that implementing sustainability differs from implementing other strategies (Verweire, 2018; Epstein & Buhovac, 2010, p. 306). While operating goals and innovation strategies seek to enhance organizational profit, sustainability strategies aim to be excellent in social, environmental, and economic performance at the same time (Epstein & Buhovac, 2010, p. 306). In the wake of the clear disparity between strategy formulation and implementation, Brunner (2007) identified five factors to bridge the gap; that is, leadership, manager mindset, corporate culture and employee knowledge. These elements are in alignment with the model “Drivers of Sustainability and Financial Performance” presented by Epstein and Roy (2001). In fact, Epstein and Roy (2001) describes how sustainability performance and stakeholders’ reactions affect financial performance along with establishment of appropriate measures. The model (see Figure 1) can be used as a tool to measure sustainability in terms of financial metrics or monetary terms directly. It allows managers to examine various sustainability actions deriving from the corporate strategy. Epstein (2003) suggests that a combination of the four levers presented by Simons (1995b) can be integrated as a tool to affect the outcome. Hence, the model can be used either proactively in cases of concern, or reactively to respond to stakeholders’ quests. The integrated feedback loop also opens for continuous improvements of sustainability performance (Epstein, 2003). To maintain its relevance, a comprehensive model, known as the “Corporate Sustainability Model”, was contrived based on the model presented by (Epstein and Roy, 2001; Epstein & Buhovac, 2010). The core of the comprehensive model is leadership. The authors state that: “*Management commitment to sustainability as a core*

value, and management recognition that sustainability can create financial value for the organization through enhanced revenues and/or lower costs are critically important” (Epstein & Buhovac, 2010, p. 307). The acknowledgement of a leader's ability to translate corporate strategy into actions has also granted increased attention from other researchers, such as (Brunner, 2007; Aragón-Correa et al., 2008; Boiral et al., 2014). Nevertheless, there is still a lack of transparency according to which type of leadership or managerial skills are required to implement a sustainable strategy (Boeske & Murray, 2022).



**Figure 1<sup>1</sup>:** Drivers of Sustainability and Financial Performance by Epstein and Roy (2021).

While implementing sustainability concerns aligning different activities, the manager's focus to establish commitment throughout the company is essential yet occasionally mislaid (Verweire, 2018). Hence, Costas and Kärreman (2013) calls for employee commitment in terms of intrinsic motivation to succeed bridging the gap between sustainability strategy formulation and implementation. They explain that operationalization of social and environmental initiatives fosters a strong, common identity based on ethics, morality, and

<sup>1</sup> The arrow represents the direction of effect (e.g., sustainability performance drives stakeholder' reaction, which in turn influences financial performance and strategy). Continuous lines present causal relationships: the broken lines present an informational feedback system.” (Epstein & Roy, 2001, p. 588).

responsibility (Costas & Kärreman, 2013). While Costas & Kärreman (2013) place emphasis on informal controls, Lai et al. (2017) highlights the importance of linking the corporate strategy with the company's materiality; that is, certain issues that are especially important for a company. In this degree, Lakshan et al. (2021) explains that embedding formal controls in the materiality assessment, such as integrated reports and sustainable KPIs, are efficient tools to communicate the sustainable strategy. Nathan (2010, p. 38), on the other hand, suggests a mix of formal and informal control systems. Controls such as organizational culture, reward systems, governance, and ethics are, according to the author, essentials to bridge the gap between formulation and implementation (Nathan, 2010).

The LoC framework and MCSs for sustainability are considered helpful tools to analyze the application of MCSs in our case company. Altogether, the various interpretations lay the foundation for an extensive discussion and open for an inclusive and coherent point of view.

### **3. METHODOLOGY**

This chapter includes the reasoning and assessment behind our methodological decisions. Chapter 3.1. gives an overview of the research design used throughout the thesis. Moving on to the next section, the research methods are presented in Chapter 3.2. Further, Chapter 3.3. includes the methods of transcribing and analyzing the collected data. Chapter 3.4. compiles different ways to achieve “good” quality in research. Ethical considerations and limitations are reviewed in Chapter 3.5. and Chapter 3.6. respectively.

#### **3.1. Research Design**

A research design provides a set of guidelines for the collection and analysis of data (Saunders et al., 2019). It can be seen as a framework of how the study will be conducted and the general plan of how to proceed when answering the research questions (ibid.). Yin (2018, p. 60) describes the research design as the logical plan to get “*from here to there*”. It contains a set of major steps, including the collection and analysis of relevant data (ibid.). The research design is, thus, the cornerstone drawing the logical line between the collected data and the conclusions to ensure coherence (Rowley, 2002, p. 2).

Case studies are relevant when the research questions require an extensive, contextualized and in-depth description (Yin, 2018, p.33). While our research questions seek to explore a

phenomenon within a gap in the literature, there is a need for detailed and comprehensive insights. Saunders et al. (2019, p. 187) agrees, and state that case studies and literary studies enable in-depth understanding that can answer questions of “*why*”, “*what*”, and “*how*”. Yin (2018, p. 32) echoes this argument, and pinpoints the relevance of case studies to answer research questions of “*how*”. Messner et al. (2017, p. 2) state that qualitative case studies aim to produce rich accounts that capture and communicate the complexity of the social and organizational world. Typically, studies of this caliber adopt numerous pieces of evidence from different sources, such as documents, artifacts, interviews, and observations (Rowley, 2002, p. 2). In that matter, case studies contribute to explain contemporary circumstances and elaborate the social world without manipulating relevant behavior (Messner et al., 2017, p. 3; Yin, 2018, p. 43). The abovementioned assertion from the various scholars lays the foundation of adopting a case study to provide a contextualized understanding of what happens in Agder Energi AS aiming to interpret sustainability strategies (Yin, 2018, p. 33).

Within the research of case studies, there is a distinction between *single* and *multiple case studies* (Yin, 2018, p. 32). The difference is whether the study is based on either one or several cases (Yin, 2018, p. 84). Our aim is to focus on one single company, Agder Energi AS. Our choice of design and case company builds on various reasons. Saunders et al. (2019) calls for single case studies to explore a phenomenon that suffers from a shortage in literature. As previously argued, the phenomenon of implementing ESG using MCSs is still considered limited (Traxler et al., 2020, p. 1; Maas et al., 2016, p. 1). Developing a single case study seems, therefore, appropriate (Pedersen & Jørgensen, 2018, p. 194; Rötzel et al., 2018; Narayanan & Boyce, 2019). Yin (2018, p. 91) calls for single case studies when studying the extreme, unusual, critical, or revelatory cases. This statement is based on the assumption that case studies enable methodological triangulation and intensive data collection at the same time (Yin, 2018, p. 128). The relevance of corporate sustainability makes, therefore, another argument for choosing a single case study. Another argument is founded on our personal motivation to gain in-depth knowledge within corporate sustainability and the use of MCSs. Scholars argue that case studies are ideal to seek in-depth information (Feagin, Orum & Sjøberg, 1991). Agder Energi AS have been working toward a sustainable company since 2010 (Agder Energi, 2021b, p. 126). Relevant experience and lots of documents have, therefore, been available for review since we first started our project in January 2022. Choosing Agder Energi AS as the case company was thereof desirable because

of their previous achievements and our limited time horizon. Thus, our choice of research design is reasonable and aligns with our aim to seek in-depth knowledge through document review, observations, interviews, workshops, and meetings.

### **3.1.1. The Purpose of our Research**

The purpose of the research must be clarified to frame the research. Saunders et al. (2019, p. 186) argue that the nature of a study can take place in either one of the following manners: *exploratory, explanatory, descriptive, and evaluative*. While a descriptive purpose tries to describe individuals, events, or contexts in a factual manner, an exploratory purpose seeks to provide insight and understandings of a previously unknown topic (Saunders et al., 2019, p. 187). It can be argued that both sustainability and MCSs have become well-known areas individually, hence a descriptive purpose is preferred (Ghauri et al., 2020). However, lack of literature to implement ESG strategies through the use of MCSs justify our choice of conducting an exploratory case study (Baumgartner, 2014; Klettner et al., 2014). An exploratory manner is deemed appropriate to explain the nature of a specific event that is poorly understood (Saunders et al., 2019, p. 187). This argument is also echoed through our interview questions as we seek to investigate how MCSs facilitate a successful implementation strategy of ESG in Agder Energi AS. Saunders et al. (2019) state that exploratory research is suitable in projects where data provide new insight and may change the direction of research. With our research question in mind, an exploratory research project is favored. This set the stage for our research method that might open up for surprising findings.

### **3.1.2. The Research Strategy**

The research strategy refers to how a researcher seeks to answer the research questions (Saunders et al., 2019). Specifically, it is the methodological link between the established philosophy and subsequent choice of methods to collect and analyze data (Denzin and Lincoln, 2005). Snow and Anderson (as cited in Feagin et al., 1991) argues for a triangulated strategy to ensure accuracy in case studies. *Triangulation* is anchored in the ethical need to secure validity throughout the process (Yin, 1984). Followed by Yin arguments (1984), our thesis is compiled using multiple sources of data, such as interviews, observations, and document review. Denzin (1978) and Patton (1999) termed this strategy as *methodological*

*triangulation*. When several methods are followed by another, the certainty in the interpretation process increases (Denzin, 1984).

### **3.1.3. The Study Setting**

Our case study follows an exploratory manner that is conducted within the natural context of our case company, Agder Energi AS (Saunders et al., 2018). Data is collected in-house with minimum interference where participants continue business as usual in their natural working environment. This is known as a *non-contrived study setting* that facilitates “normal” behavior (Eisenhardt & Graebner, 2007). The project of implementing ESG in the financial function in Agder Energi AS began in late November 2021. Despite our involvement from mid-January 2022, the project of implementing ESG kept rolling as usual. This gives us firsthand data and vital information we could not collect in any other ways. A non-contrived study setting gives us rich and empirical descriptions that can lead to development of theory (ibid.).

### **3.1.4. The Time Horizon**

The time horizon of a research study describes the length of a given research and is commonly known as either cross-sectional or longitudinal studies (Saunders et al., 2019). *Cross-sectional studies* involve studying a phenomenon at a specific point of time. On the contrary, *longitudinal studies* represent studies where events are being studied over time (ibid.). Saunders et al. (2019, p. 212) suggest longitudinal studies when investigating development and change. Despite our limited time horizon of four months, our research question lays the foundation to seek an in-depth knowledge about the interrelated concepts of sustainability and MCSs. The mutual influence over the fixed time horizon plays a significant role. Hence, a longitudinal time horizon is preferred. Furthermore, Saunders et al. (2019) claim that gathering secondary data can neutralize the limited time horizon. A research project can take a longitudinal manner as long as the right amount of high quality data can be collected (ibid.). Although the limited time horizon facilitated challenges, loads of secondary data from documents and websites were available at all times. This lays a vital argument for choosing a longitudinal study.

## **3.2. Research Methods**

A research method can be classified as either *quantitative*, *qualitative*, or *mixed methods* (Saunders et al., 2019). Our study follows a qualitative approach that relies on semi-



structured interviews and texts. Qualitative data collection gives us non-numerical data from conducted interviews. The core argument of conducting a qualitative study is based on the ability to capture the interviewees personal reflections. Geertz (1975) introduces the concept of “researcher as instrument”, a metaphor of qualitative inquiry which means that the researcher stays open to the unfamiliar while investigating the issue of concern. The concept refers to the researcher's ability to reflect and gain in-depth knowledge during data collection while being the human instrument in the research (Kaczynski et al., 2014, p. 128). The complexities of insights can be enhanced through direct involvement with human interactions by allowing the researcher to rethink the topic throughout the research (ibid.). By conducting semi-structured interviews, we were able to mirror the concept of “researcher as instrument” and collect rich and ample data through dialogue and open questions with our interviewees. As a consequence of the direct involvement, we could probe for specific examples to address unresolved questions.

The collected research data can be classified as either *primary data* or *secondary data* (Saunders et al., 2019, p. 338). What separates the data is whether the material is collected for the purpose of the actual study, or initially for another purpose respectively (ibid.). Secondary data was contrived through literature review. Thus, we could learn what is already known that supports, challenges, and includes the topic of interest, but also which topics remain investigated (Creswell & Creswell, 2018). Although we observed a project that is nowadays implementing ESG in the financial function in Agder Energi AS, secondary data was collected from previous years. Both internal and external secondary data were utilized in addressing our research questions (Johnston, 2014, p. 621). Internal data from Agder Energi AS was collected through observations and documents, while external data was gathered through websites and literature review. In comparison, primary data were collected through observation, participatory meetings and workshops, and semistructured interviews. Primary data were gathered on a regular basis. Interviews were conducted due to the strategy of incorporating a broader understanding of the context. While Herriot and Firestone (as cited in Yin, 2018, p. 91) argue that single case studies may lack compelling evidence, Saunders et al. (2019) claim that single case studies are often based on a smaller sample size. To cope with the arguments against compelling evidence within the boundaries of resource and time horizon, our hand-picked sample size consists of employees with different backgrounds, experience, and hierarchical level. To answer our research question the best possible way, at least one respondent from each of the subsidiaries and staff functions have been included in

the sample. In total, we conducted 10 interviews in the company. Including respondents with different experiences and roles helped us to avoid collecting data that is representative of something else than what we wanted to investigate (Schock, 2020, p. 249).

In the following, qualitative interviews, observations, and textual documents are described in detail due to the relevance of our research paper in which they present our main sources for collecting data.

### **3.2.1. Semi-structured Interviews: Primary Data Collection**

Interviews are one of the most important methods for gathering information when conducting case studies (Yin, 2018). Yet, it is more than just information retrieval (Mahama & Khalifa as cited in Hoque et al., 2017). Conducting interviews is a practice where the researcher seeks to understand the world and explore the meanings behind interviewees' associations (Hoque et al., 2017). This is in alignment with our intention to explore how managers aim to succeed implementing ESG into day-to-day operations.

Qualitative field interviews usually range from semi-structured to unstructured interviews (Mahama & Khalifa, 2017). While *unstructured interviews* are often utilized in situations where researchers lack knowledge of the empirical phenomenon, *semi-structured* designs allow the researcher to conduct a flexible interview that helps to define the issue of concern (Mahama & Khalifa, 2017; Gill et al., 2008). Semi-structured interviews are, thus, referred to as “qualitative research interviews” and serve three main purposes; that is, obtaining unique information, collecting numerical data from individuals, and exploring a certain phenomenon (Stake, 2010). Semi-structured interviews are frequently used to collect data in accounting research, and is also preferred in our thesis (Saunders et al. 2019, p. 437; Mahama & Khalifa, 2017). One of the reasons is that semi-structured interviews are generally constructed with a predetermined list of themes and relevant key questions (Saunders et al. 2019, p. 437). Hence, it allows us to be well prepared and ask follow-up questions of high quality (Rubin & Rubin, 2012, p. 31). Furthermore, we are provided with the freedom to add and ignore questions throughout the interview (ibid.). This is suitable in our case for the reason our interviewees possess different knowledge based on experience, roles and titles. Mahama and Khalifa (2017) argue that semi-structured interviews encourage fixed conversations between the researcher and the interviewees. The interviewees play, therefore, an active role defining the next questions (ibid.). While our interviewees are highly skilled and experienced employees, their active role may foster valuable insight on related topics of interest.

However, we can change the range, structure and depth of questions at any time (ibid.). Also, our choice of structure relies on the aim to investigate experiences, motives and opinions of others (Rubin & Rubin, 2012, p. 23). Eventually, we will learn to see the world from other perspectives than our own (ibid.)

We conducted all of the interviews face-to-face, except from one that was contrived remotely. All of our physical interviews were conducted at the participants' workplace. The choice of location was based on the idea to make the employees feel comfortable which enhances information sharing (Saunders et al., 2019, p. 454). According to Saunders et al. (2019, p. 442), face-to-face interviews have advantages such as encouraging open discussions, leading to data that are rich and free from bias, and the possibility to check understandings during the meeting. Due to Covid-19, we have all been exposed to lots of remote meetings lately. We believe thereof that the quality of face-to-face interviews and online interviews are about the same. A document including information about the choice of interview, either face-to-face or remotely, a consent form (see Appendix 1), and a summary of the thesis was handed over in advance. This is in alignment with Saunders et al. (2019, p. 452) who claim that credibility may be promoted through supply of relevant information before the interview. On the interview day, we presented the research questions to each participant before starting the interview. This laid a common ground and an understanding of what we were looking for during the interview. Appendix 2 presents the interview guide.

Table 1 presents an overview of the conducted interviews. It provides information such as the month and length of contribution, and the interviewee's role in Agder Energi AS. The participants will be referred to arbitrary numbers to maintain confidentiality throughout the thesis.

*Table 1: An Overview of the Conducted Interviews*

<b>Interviewee</b>	<b>Month</b>	<b>Length</b>	<b>Position</b>
1	March 2022	47:33	Employee
2	March 2022	40:18	Manager
3	April 2022	1:21:03	Manager
4	March 2022	44:45	Employee

5	April 2022	36:02	Employee
6	March 2022	44:17	Employee
7	March 2022	56:14	Manager
8	March 2022	54:18	Manager
9	April 2022	1:00:10	Employee
10	April 2022	38:40	Manager

### 3.2.2. Participant Observations: Primary Data Collection

Participant observation has become a frequently used approach in case studies (Bougie & Sekaran, 2016, p. 128). It allows researchers to collect data based on personal observations (ibid.). Playing the role as an *active participant* in the project of implementing ESG in the financial function adds another layer to the thesis (Spradley, 1980). Observing workshops and meetings while we get to interrupt the group supply valuable insight of cultural behavior (Spradley, 1980, p. 60). Moreover, it provides a deeper knowledge of the entire project. For example, we got to observe the interplay between the different roles, which challenges were taken into account when implementing ESG, and not least, listen to thoughts and reflections in the group. Because we had no definite idea of which aspects needed particular focus, the *unstructured observation* is favored as it can be used to analyze and interpret certain elements in the end (Bougie & Sekaran, 2016, p. 129). Researchers may argue that *unconcealed observation* lacks authenticity of the members behavior because members under study are told they are being investigated (ibid.). However, this is unavoidable in our study because we are two students that interfere in a workplace. On the contrary, concealed observations have ethical drawbacks in which it violates principles of privacy, informed consent, and confidentiality (Burgess, 1989; Lauder, 2003). For all of these reasons, an unconcealed observation was contrived in this thesis. Thus, we gained a lot of detailed and vital information for our analysis that would have been difficult to gather without being present.

### **3.2.3. Websites and Documents: Secondary Data Collection**

Agder Energi AS presents their vision, activities, and achievements toward corporate sustainability for customers and other shareholders through their website (Agder Energi, n.d.a) Collecting secondary data from the company's website was reasonable and has provided valuable information and deeper understandings about the company and the issue of concern. However, such information originates for other purposes than our research and aims to enlighten the community about the company's work toward a sustainable future. Easterby-Smith et al. (2015) pinpoints the importance of being critical and aware of the subjectivity tied to secondary data like websites and documents when evaluating the credibility. Documents and textual files were also shared through an internal platform consisting of the members in the project. For instance, some of the files included sustainable strategies and sustainable operations established by other companies, information about legal requirements and taxonomies, and general documents about sustainability. This platform helped us to filter what was considered vital for the project, and was also used efficiently when collecting secondary data and theories.

### **3.3. Transcription and Analysis**

Analyzing qualitative data is the process of summarizing, coding, and categorizing the collected data to group the themes (Saunders et al., 2019). Consequently, the analysis provides a structure for answering the research questions (ibid.). A thematic analysis has been contrived to analyze data in accordance with Saunders et al. (2019, p. 651). The essential purpose is to search for patterns that occur across the data set of interviews (ibid.).

The first thing we did after conducting the interviews was to transcribe them. This was because we wanted to optimize the value from the interviews. By using a recorder and subsequently transcribing the interviews, we got to aim full attention to the interviewees and focus on the questions instead of the administrative work. Moreover, listening to the interviews on repeat at a later stage of the process gained value in terms of an increased understanding and the opportunity to discover additional findings. Furthermore, listening to the recordings made us aware of how we could improve our interviews and ask better follow-up questions. We got permission from the interviewees to use a recorder subject to deletion of data once the project is ready. We developed questions and conducted the interviews in the

first language of the interviewees, namely Norwegian, with the aim to get accurate and in-depth answers. The prepared interviews were transcribed in the first language, and relevant interview sections were translated to English.

The thematic analysis has four steps as a guideline to undertake (Saunders et al., 2019, p. 652). The first step is “*becoming familiar with your data*” through transcribing the conducted interviews. Since we did this as soon as possible, it made us see meanings and recurring themes right away. To make sure that the transcription is accurate, Saunders et al. (2019, p. 645) suggest sending a copy to the participants. In accordance with this suggestion, transcriptions were handed over to participants who requested it. Hence, we assured that the quotes were correct and, moreover, opened for supplemented inputs or edits.

The second step, according to Saunders et al. (2019, p. 653), is “*coding your data*”. The purpose of the second step is to categorize data with similar meanings, such as related words or sentences (Saunders et al., 2019, p. 653). Data were, therefore, categorized through thorough and analytically examination. The repetitive answers were color coded with the aim to visualize the subject of matter. Thereafter, we could easily place the color-coded words and sentences in boxes that were based on categories, such as “sustainability”, “MCSs”, and “opportunities”, and “challenges”. The identified categories were then logically systemized due to its relevance aiming to answer our research question. With our research question in mind at all times, we could efficiently direct attention to data of value (Saunders et al., 2019, p. 653).

The third step is “*searching for themes and recognising relationships*” (Saunders et al., 2019, p. 657). Based on the identified categories from the previous step, we were able to recognize repetitive patterns. Hence, we created a short list of themes that were related to the research question (Saunders et al., 2019, p. 657). Establishing themes involved decision making and active judgements to what degree we found data valuable for further analysis and discussion. Themes that we found were:

*defining sustainability, balancing the E, S and G, ownership, communication platforms, sustainable competence development, leadership, sustainable KPIs, and measurements.*

The last step in the analysis presented by Saunders et al. (2019, p. 658) is “*refining themes and testing propositions*”. The goal is to reach a structured dataset by evaluating, rereading,

and reorganizing established codes and themes (Saunders et al., 2019, p. 658). Reorganizing our coded data helped us take a critical stance and, thus, evaluate the relevance of each theme, both alone and in relation to one another.

*Table 2: Emerging themes from data analysis<sup>2</sup>*

<b>Broad Findings</b>	<b>First Aggregation</b>	<b>Second Aggregation</b>
<p>The UN SDGs is the cornerstone to understand sustainability</p> <p>Sustainability is a complex concept consisting of two or more interrelated concepts; environment, social, and economy</p> <p>There are challenges to understand the concept of sustainability in the jungle of definitions</p>	<p>The UN SDGs</p> <p>Interrelated concept</p> <p>Lack of a clear definition</p>	<p><i>Defining Sustainability</i></p>
<p>Agder Energi AS operates in the renewable power sector so it is a quick fix to highlight the environmental aspect alone</p> <p>New requirements and expectations push the corporation to bring social and governance into account</p>	<p>The environment aspect is the quick fix</p> <p>Focus toward a more balanced concept</p>	<p><i>Balancing E, S, and G</i></p>
<p>A bloated concept It is a political and fancy word that is trendy today, but questioning about tomorrow's relevance</p> <p>Ethical aspect</p>	<p>Buzzword</p> <p>Greenwashing</p>	<p><i>Ownership</i></p>

<sup>2</sup> The structure of Table 2 is based on the Gioia method of structuring and visualizing data to rooted theory. The purpose is to construct relevant categories and clarify data-to-category connections in a three-order, hierarchical structure (Gioia et al., 2012).

<p>Competence development What does it mean for Agder Energi AS?</p> <p>Positive attitude Motivated</p> <p>Make employees understand the value of how daily operations contributes to SD Communicating stories</p>	<p>Bring substance to the definition of sustainability</p> <p>Positive attitude</p> <p>Storytelling</p>	
<p>Creating an area for interactive teamwork and discussions</p> <p>Intranet is the most applied platform to communicate sustainability. Overloaded with information</p> <p>Sustainability and climate reports</p> <p>Visual SDGs, video clips, and diplomas</p> <p>Challenge the company to shed light on both stories of success and possible problems</p>	<p>Interactive learning</p> <p>Challenge to develop in-depth knowledge</p> <p>Comprehensive and tiring</p> <p>Tangible symbols</p> <p>Communicate the reality</p>	<p><i>Communication</i></p>
<p>Positive mind and eager to increase personal knowledge Immaturity in the field</p> <p>Discussions and personal reflections Enhance discussion afterwards, like in the elevator</p>	<p>Need for increased knowledge</p> <p>Interactive learning</p>	<p><i>Competence Development</i></p>
<p>To gain motivation, it has to begin with the owners and governance. Employed a senior advisor</p>	<p>Engaged leadership</p>	<p><i>The Importance of Leadership</i></p>



<p>for sustainability Strategically and analytically works with sustainability</p> <p>Managers must acknowledge the importance of sustainability</p> <p>Sustainability is integrated in the corporate strategy and mission</p> <p>Should always strive to be better</p>	<p>Manager's mindset</p> <p>Core values Strategy</p> <p>“Best in class” approach</p>	
<p>Measurements on sick leaves and satisfaction Need for more KPIs tied to sustainability in the future</p> <p>Quest for regular updates and status Valuable insight and increased attention Dashboard with KPIs</p> <p>Question future conflicting goals Mandate</p>	<p>Establishing sustainable KPIs</p> <p>Regular updates</p> <p>Governing documents and mandate</p>	<p><i>Sustainable KPIs</i></p>

### 3.4. Research Quality in Qualitative Studies

There are various perspectives of what is considered “good” quality in research. Rudestam and Newton (2007) present three criteria to measure the quality; that is, *generalizability*, *validity*, and *reliability*. Whereas the classic criteria presented by Rudestam and Newton (2007) is commonly used in quantitative studies, scholars reject this approach in qualitative research based on the positivistic premise (Ahrens & Chapman, 2006). Pratt et al. (2019) call that the quality of qualitative studies cannot be measured in the same way as quantitative studies. For instance, one of the challenges of using the classical criteria is that good quality is conditioned by rigor methodologies and interpretations (Eisenhardt et al., 1991, p. 620). Consequently, Ahrens and Chapman (2006) underline the benefits of alternative methods of

measuring quality instead of using the aforementioned criteria which in turn derive from natural science. Researchers strive, therefore, to convey substitutes to measure quality in qualitative research (Seale, 1999; Guba & Lincoln, 1994; Messner et al., 2017).

Golden-Biddle and Locke (1993, p. 598) outline the criteria of *authenticity*, *plausibility*, and *criticality* as “dimensions of convincing”, whereupon authenticity and plausibility coincides with good quality. These concepts are, according to the authors, substitutes of validity (Golden-Biddle & Locke, 1993, 1997). Baxter and Chua (2008) echo this point of view, while Lukka and Modell (2010) only consider the criteria of authenticity and plausibility as the core of quality. On the contrary, scholars suggest that validity and reliability cannot be separated into two sensibly objectives, and therefore deny distinct substitutes of reliability in qualitative studies (Ahrens & Chapman, 2006, p. 822). Researchers advocate, however, the combination of structured and unstructured data to make valid assumptions (Ahrens & Chapman, 2006, p. 833; Denzin & Lincoln, 2005). To ensure reliability, McKinnon (1988, p. 39) recommends field researchers to apply different methods when collecting data and materials, spend more time in the field, and document the process as a researcher. Yin (2009) follows these presumptions. He encourages researchers to seek the “*richness of the phenomenon*” in qualitative studies (Yin, 2009, p. 2). Nonetheless, challenges of communicating and exploiting the richness of materials to meet the expectations of Golden-Biddle and Locke (1993) have been acknowledged by Messner et al. (2017). In response, they display the criteria of *credibility* and *authenticity* respectively (Messner et al., 2017). By considering copious and rich data from single field studies, Stake (1995, p. 8) states that “*the real business of case study is particularization, not generalization*”. Although he suggests several generalization strategies such as “petite generalization” and “grande generalization”, scholars highlight that case studies are highly context-dependent (Stake, 1995; Lukka & Mouritsen, 2005, p. 321). Suggestions to generalize qualitative research in terms of “empirical generalization” or “theoretical generalization” are supported by numerous scholars (Lukka & Kasanen, 1995; Lukka & Mouritsen, 2005). Therefore, Flyvbjerg (2006, p. 231) implies that researchers should seek conclusions as the “most likely” or as the “least likely”.

In the following, a brief outline of what we consider as the core criteria that ensure “good” quality and support our chosen research design will be provided in the following subsections; that is, credibility, authenticity, plausibility, and criticality.

### 3.4.1. Credibility

Our notion of credibility is based on Guba & Lincoln (1985) who describe credibility as whether a qualitative research can claim to be convincing. Following, Messner et al. (2017) highlight two main challenges of credibility; collecting the data and communicating the virtue of findings.

Qualitative research provides rich and detailed data, and seeks a holistic understanding of the world (Messner et al., 2017, p. 432). Researchers must, in the first place, be selective and choose what data to collect and how to investigate the issue of concern (ibid.). With the aim to develop a credible research paper, primary data were collected at the corporate building. Hence, we got the opportunity to gather first-hand information while observing the interviewees in their natural habitat. The results of researchers who are not sufficiently exposed to an empirical setting but predict the findings at a cursory glance, may for instance, suffer from an impaired perceived credibility (Messner et al., 2017, p. 433). Further, Messner et al. (2017) emphasize the importance of communication. Credibility is something researchers should not only strive for when collecting data, but also when they present them (ibid.). To assure a presentation of findings that permeates credibility, the interviewees were offered their final transcription in advance of our analysis. Thus, the interviewees were sure we did not rewrite their quotes or applied their comments in any other but the original context. The empirical data should be apparent and mirror the theoretical arguments (Messner et al., 2017, p. 434). Credibility hinges, therefore, on the researchers ability to collect empirical data, the plausibility of the theoretical interpretation, and the skill to ensure a suitable fit between the researcher's focus and the following design (Messner et al., 2017, p. 434; Lukka and Modell, 2010).

### 3.4.2. Authenticity

Another concern that is closely linked to credibility is *authenticity* (Messner et al., 2017). Golden-Biddle and Locke (1993, p. 599) claims that authenticity is “*the ability of text to convey the vitality of everyday life (...)*”. It focuses on the researcher's ability to collect first-hand information and aims to convince the readers that conclusions were drawn on in-depth understanding (Messner et al., 2017). Thus, the authenticity of the research increases in cases where empirical data support theoretical assertions (Golden-Biddle & Locke, 1993, p. 599; Messner et al., 2017). Qualitative research of good quality enlightens the readers that the

everyday life of the research object is caught and described in detail (Golden-Biddle & Locke, 1993, p. 599). Likewise, the issue of credibility, the main challenge of authenticity depends on the collection and the communication of the data. The challenge of authenticity, however, depends on the richness of the material and to what degree it is exploited and communicated in a suitable way (Messner et al., 2017). To cope with the aforementioned challenge and increase the authenticity of this thesis, additional first-hand data were collected through observation. A methodological triangulation between in-depth interviews and observation allowed us to study participants in various arenas. This method laid the foundation to achieve the highest possible level of authenticity.

### **3.4.3. Plausibility**

The following criterion of *plausibility* directs attention to the relationship between descriptive and conceptual dimensions (Golden-Biddle & Locke, 1993, p. 600). While the focus of authenticity is based on the reader's connection to the context and setting that is investigated, the criterion of plausibility on the other hand, refers to the reader's relation to the subject (ibid.). In that matter, Iser (1989) emphasizes the active role of the reader. Plausibility encompasses the reader's personal and professional knowledge addressed by the following question: “*Does the story make sense to me (...) given where I am coming from?*” (Golden-Biddle & Locke, 1993, p. 600). Lack of either one of the interrelated components, “make sense” or “coming from”, results in failure of convincing (ibid.). This thesis is developed in a collaboration with Agder Energi AS. Thus, the readers are mainly employees in the case company, academics from the University of Agder, or those with particular interests for MCSs and sustainability. The criterion of plausibility is, therefore, fulfilled in the sense that the literature review yields a basic understanding of the topic of concern.

### **3.4.4. Criticality**

The latter criterion of *criticality* refers to whether the author provides room for readers to reflect and contemplate (Golden-Biddle & Locke, 1993, p. 610). The strategy of making readers stop and processing the text midstream will adhere to good quality as readers may ponder the arguments and findings (ibid.). The idea is to provoke readers to differ between their prevailing point of views and the proclaimed arguments from the field study (Golden-Biddle & Locke, 1993, p. 611). Barley (1983) demonstrates this mindset by establishing two sets of questions. The different alternatives are then separated by the term "or" to make

readers able to compare; like this, “(...) *Should cultures be studied sui generis, as systems of meaning in and of themselves? Or is it better to study culture as a set of discrete symbolic entities (...)?*” (Barley, 1983, pp. 393-394). The criterion of criticality is perceived as important but challenging. While our research question investigates the use of MCSs in a company, this criterion is carried out through subjective reflections and reasoning. Also, by challenging the company to rethink settled habits and questioning their choices substantiates the level of criticality. If the author succeeds in the criterion of criticality, the reader will imagine new and different possibilities than previously imagined (Golden-Biddle & Locke, 1993, p. 611).

### **3.5. Ethical Principles and Considerations**

Research ethics are choices and behaviors within the context of research, considering the objects and people of interest that may be affected by the research and the outcome alone (Saunders et al., 2019, p. 252). A set of ethical propositions is presented by Saunders et al. (2019), arguing that each of the principles must be considered to preserve ethical considerations. In relation to our methodological choices that have been previously discussed and examined throughout this chapter, the proposals described by Saunders et al. (2009) lays the fundamental of ethical considerations and awareness of the research.

Qu & Dumay (2011) highlights that voluntary and informed consent that can be pulled out at any stage of the research should be documented and signed by all parts (Saunders et al., 2019, p. 258). Hence, the first principle lays the foundation of a voluntary participation where the interview process, the intended outcome, and the different roles have been shared and thoroughly communicated (Qu & Dumay, 2011). Following, Saunders et al. (2019, p. 465) note that researchers must respect time and effort invested by the participants. This notion is based on the principle of voluntarism and to what extent employees are willing to spend valuable time and resources on research (Saunders et al., 2019, p. 465). To deal with the voluntary principles, a document including a consent form, the estimated time horizon for each of the interviews, and general information about the study was handed over to the participants in advance. The consent form is attached in Appendix 1, and we have clearly justified the concept of voluntary participation and the right to withdraw at any time. The consent form was signed and collected by all parts prior to each of the interviews.

Anonymity and privacy are two major ethical principles that must be considered in any research (Saunders et al., 2019, p. 258). The maintenance of the second principle of confidentiality is ensured as we refer to interviewees by using specific numbers and roughly position titles instead of names and exact position titles respectively. Qu & Dumay (2011) convey confidentiality as a vital concept in field studies, with special consideration in the context of work. Hence, the strategy of how to maintain a confidential study was covered and informed through the content form. Participants could choose, for instance, whether or not to include the position title in the research. This argument is in compliance with Saunders et al. (2019, p. 258) who state the importance of avoiding harm and violating premises.

Following the principles of confidentiality, storing data is not without exceptions (Saunders et al., 2019, p. 646). Recorded and taped interviews, transcribed documents, and coded materials include nothing but the unique identification number of the interviewee. This is presented in Table 1. Moreover, Saunders et al. (2019, p. 258) states that studies must follow regulations to preserve confidentiality. Thus, the purpose of the research including the interview guide was sent to NSD (Norsk Senter for Forskningsdata) for approval. To ensure that data and information was composed in a secure and confidential manner, a recording device from the University of Agder (UiA) was applied throughout the research, rather than using private tools.

The latter principle emphasized by Saunders et al. (2019, p. 275) is the one of accuracy. Researchers should operate within the abilities of being fair, open-minded, and honest in terms of a high integrity (Saunders et al., 2019, pp. 257-258). Thus, researchers ensure correct and authentic analysis and reporting of the collected data (Saunders et al., 2019, pp. 275-278). As recording devices were applied to collect data, every single bit of information was stored in the same tool. Eventually, we had rich and detailed information needed to get the factual and scientific analysis and discussion possible. Moreover, applying recording devices to collect information is suitable within field studies in response to obstacles, explicitly in terms of cognitive limitations of researchers (McKinnon, 1988). A combination of manual editing and automated transcription ensures that the precision and accuracy is maintained to the very end of the research. Furthermore, having it all transcribed, each of the participants may read the output from the interview to warrant correct statements and quotes. Qu & Dumay (2011) confirm our issue of concern, stating that each participant should be provided with the opportunity to read their own output. Every participant got careful

information about the opening to read through the outputs via the consent form, and we assure the complete text was sent over prior the due date of publication.

### **3.6. Limitations**

We acknowledge that our thesis may suffer from particularly two limitations; that is, inadequate in-depth data and a limited time horizon. The limitation of data is associated with the collection of data that may be a bit narrow. This is not because of the amount of data, but it is related to whom we interviewed. The majority of our interviewees were managers or employees who are ambassadors of sustainability in the company. Thus, they are all well-informed about the concept of sustainability and also how the company works in the field. Although they provided us with rich and valuable information, there are risks of selection bias in which they do not accurately represent the entire population. To minimize the risks of selection bias, additional employees that have no direct linkage to sustainability in Agder Energi AS were hand-picked. Because of the limited time horizon of four months, we did not manage to collect as many participants with zero connection to the forum for sustainability as we wanted. We question, however, whether additional employees would have contributed to valuable insight. Yet, we acknowledge it could have granted a more correct and comprehensive view of Agder Energi AS. With the aim to increase the credibility in our study and cope with the inadequate data, employees from all of the subsidiaries and staff functions were included in our sample to investigate whether there are differences within Agder Energi AS. With the intention to collect the variation among employees, interviewees from different hierarchical levels and roles were also preferred.

The time horizon of four months caused additional limitations to our investigation. The implementation of ESG is a continuous project that will keep rolling after our thesis is submitted. We are, therefore, not able to explore whether Agder Energi AS will succeed implementing the sustainability strategy. On the contrary, the limited time horizon does not affect our research on MCSs. Hence, we are able to answer our research question. We accept that our results are based on a current project, so unforeseen changes may occur at a later point that could have affected our conclusion.

## **4. EMPIRICAL BACKGROUND: AGDER ENERGI AS**

This chapter aims to provide valuable insight into the case company. Chapter 4.1. gives a brief description of the company as the empirical background of this thesis. Chapter 4.2. addresses Agder Energi AS with emphasis on their mission, vision, and values. Further, an explanation of the company's chosen SDGs are being highlighted. An elaboration of the company's contributions towards a sustainable future are presented at the end of the chapter.

### **4.1. Agder Energi AS**

Agder Energi AS is one of Norway's largest companies within the electric power industry, and is a significant employer with approximately 900 employees (Rauboti, 2021; Agder Energi 2021b, p. 15). The company was founded in 2000, as a result of the merger between Aust-Agder Energi, Vest-Agder Energi, and Kristiansand Energiverk (ibid.). Agder Energi AS is a state-owned company, whereas 54,5 % of the ownership belongs to the municipalities of Agder, and the remaining 45,5 % is owned by Statkraft (ibid.). As of today, the main facility is located in the Southern district in Norway, in Kristiansand, and bears its core business within hydropower production, power management, end customer sales and grid (Agder Energi, 2021b, p. 15). Additionally, Agder Energi AS operates within district heating and venture activities (ibid.).

Agder Energi AS is arranged according to a divisional structure, and consists of numerous subsidiaries inasmuch as staff functions (Agder Energi, 2021b, p. 9). The various subsidiaries are organized in five business areas that reflect the corporate's core business and value chain; innovation, production, trading and energy management, distribution, and customer. Additionally, the parent company serves shared services (ibid.). The staff functions are based on professional responsibility, and are divided into three core functions; economics and finance, people and communications, and technology. The parent company is led by directors, and together with the CEO, they all together comprise the senior management team (ibid.). The composition of the team ensures that stakeholders' interests are upheld and transparent with the company's requirements.



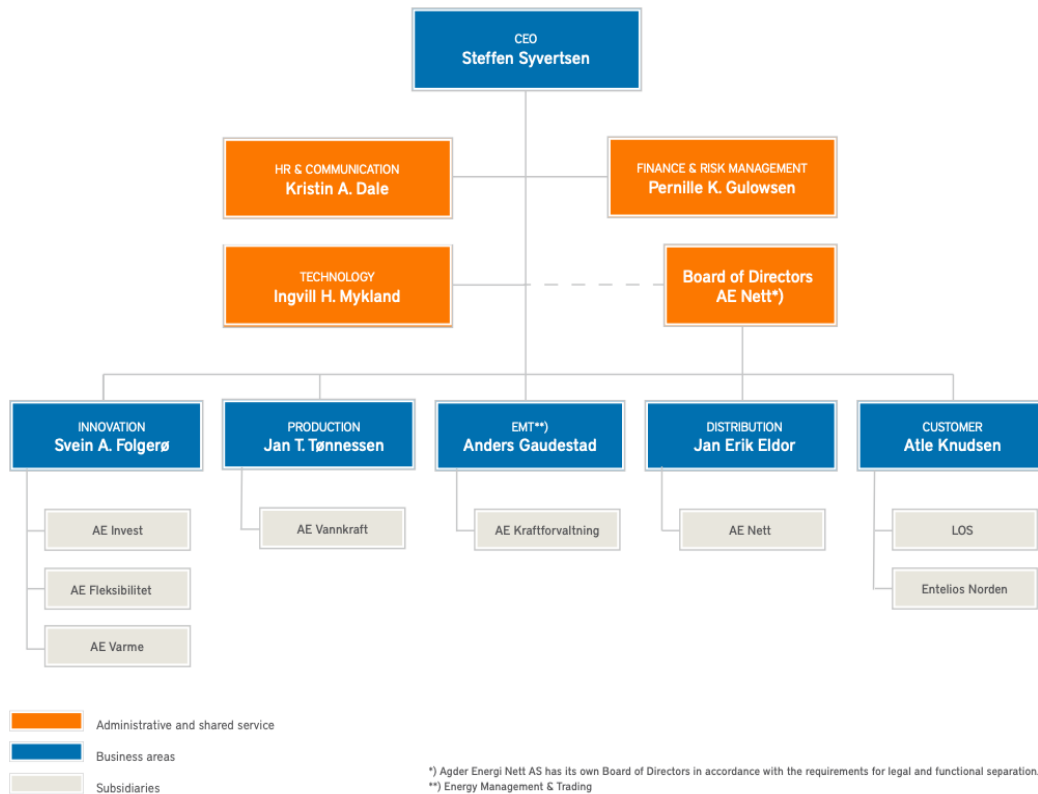


Figure 2: The Organizational Structure in Agder Energi AS (Agder Energi, 2021b, p. 7)

## 4.2. Agder Energi AS as a Sustainable Corporation

Agder Energi AS generate and supply clean and renewable energy to the community aiming for a society that prosper today as well as in the future (Agder Energi, n.d.). They claim that utilizing hydroelectric power is the key towards net zero and a “*successful transition to a fully electric, sustainable society*” (ibid.). The following subsections shed light on the company's strategies of becoming a sustainable corporation and, moreover, measures pushing towards a sustainable future.

### 3.2.1. Mission, Vision, and Values

The mission statement in Agder Energi AS is “*to provide clean energy for a sustainable society, now and in the future*” (Agder Energi, 2020a). Through their mission, and by means of what they consider as their competitive advantages; that is, *competence, technology, and good customer relations*, emphasizes Agder Energi AS how they will achieve their vision of becoming “*one of the leading companies in the Norwegian renewable energy sector*” (Agder Energi, 2020a). The board has identified four core values that permeate the corporation as a

whole: *closeness, credibility, dynamism, and innovation* (Agder Energi, 2020a). Each and one of the components are interpreted in the parent company as much as in the different subsidiaries (Agder Energi, 2021b, p. 15). The intertwined relation of the four values lays the foundation of the corporate culture, and are vital for reaching the corporate's overarching goal and their aim to sustain profitable competition (ibid.). Thus, they play an important role supporting not only the company's financial goals but also their sustainable goals.



**Figure 3:** *The Company's Core Values* (Agder Energi, 2021b, p. 11)

#### 4.2.2. The Company's SDGs

A natural starting point for Agder Energi AS to contribute and maintain sustainable practices in the future is to set clear and coherent goals (Agder Energi, n.d.b). In 2019, seven of the UN SDGs were highlighted to achieve green and long-term profitability as seen in Figure 4 (Agder Energi, n.d.b; Agder Energi, 2020b). These goals are SDG 7 *Affordable and clean energy*, SDG 8 *Decent work and economic growth*, SDG 9 *Innovation and infrastructure*, SDG 12 *Sustainable consumption and production*, SDG 13 *Climate action*, SDG 15 *Life on land*, and SDG 17 *Partnership for the goals* (Agder Energi, n.d.b).

Agder Energi AS supplies customers in domestic and business markets with affordable hydroelectric power while paying for improvements and investments in new energy

technology (Agder Energi, 2020c). These actions are in compliance with both SDG 7 and SDG 9. Furthermore, Agder Energi AS contributes to sustainability that reflects SDG 8 by creating a safe working environment and prioritizing health, diversity, and equal opportunities (Agder Energi, 2021a). In order to achieve SDG 12 and SDG 17, new and transparent partnerships have been initiated, such as Vårgrønn and Green Investment Group (Agder Energi, 2021b, p. 125). These goals are important in pushing companies to adopt and invest in green technologies (Agder Energi, 2021b). The company's remaining goals, SDG 13 and SDG 15 (ibid.), shed light on the company's awareness of the criticality to combat climate change. Agder Energi AS mitigate, in that matter, greenhouse gasses in accordance with SBTI (Science Based Target Initiative) and protect vital ecosystems by building infrastructure to avoid all serious environmental incidents. (Agder Energi, 2021b, p. 125).



*Figure 4: The Company's Chosen SDGs (Agder Energi, 2021b, p. 16).*

#### **4.2.3. Pushing Towards Sustainability**

Agder Energi AS has a long and wide-ranging history of contributing to the Norwegian community in terms of sustainable and ethical operations (Agder Energi, 2021b, p. 26). In 2010, Agder Energi AS took its first step towards a sustainable corporation by reporting annually on its work with social responsibility and sustainability in accordance with GRI standards (Agder Energi, 2021b, p. 126). Since then, a myriad of sustainable actions and choices pushing towards a green transition have been contrived.

Sustainable activities in Agder Energi AS roots on global initiatives and conventions (Agder Energi, 2021b, p. 27). In 2014, an important collaboration was settled with the UN Global Compact. This platform is grounded on 10 core principles within human rights, labor standards, external environment, and anticorruption (Agder Energi, 2021b, p. 27). From 2014

and up till this point, Agder Energi AS has launched valuable partnerships with companies such as Zero, Skift, Klimapartnere, Eco-Lighthouse Scheme, and HitecVision (Agder Energi, 2020b). Furthermore, in January 2022, the company announced they had signed the 10 Principles of Skift for a sustainable finance function (Agder Energi, 2022a). This initiative helps to accelerate the transition to a climate friendly economy and reach the climate goals in 2030 (Skift Norge, n.d.). The Head of Corporate Governance estimates that the integration of ESG will be fully implemented in the financial function by the end of June 2022.

Important collaborations and partnerships have been launched aiming for sustainability beyond the company's achievements. With current obstacles caused by the pandemic and the ongoing war in Ukraine, are these partnerships, according to the CEO in Agder Energi AS, essential to foster economic growth while contributing to the green transition through innovative solutions (Agder Energi, 2022b). Such a statement substantiates with the company's established SDGs. For instance, Agder Energi AS and NOAH AS established Morrow Batteries AS in 2020, aiming to produce the world's most sustainable batteries starting in 2023 (Agder Energi, 2021b, p. 23). Agder Energi AS is also engaged in an innovative project called "Electric Region Agder" aiming to fully electrify the entire Southern region (Agder Energi, 2021b, p. 29).

Each of the three components of ESG are somehow incorporated in the day-to-day business directed by conventions initiated by third parties like the UN Global Compact (Agder Energi, 2021b, p. 27). Agder Energi AS spends additional resources to sustain social responsibility through safe and sound procedures. Hence, they impose healthy, ethical, and environmental practices within their organization inasmuch with their suppliers. Additionally, Agder Energi AS aids the community by investing in young and talented employees (Agder Energi, 2021b, p.131). Thus, they facilitate more jobs as well as focusing on creative minds searching for sustainable solutions (ibid.) In the light of human capital and equal rights, Agder Energi AS aims additional attention to the society by supporting young talents (Agder Energi, 2021b, p. 131). They put the spotlight on young talents in the district by aiming for having a trainee in each of the subsidiaries at every time (ibid.). Furthermore, Agder Energi AS supports talented people outside the corporation by giving scholarships to skilled youths (Los, n.d.). Agder Energi AS has been acknowledged for their work towards sustainability receiving certifications such as "Miljøfyrtårn", "Likestilt Arbeidsliv", and "Mangfold og Like Rettigheter" (Agder Energi, 2020d).

The power industry is facing major changes as a result of climate change and adjustment to the renewable society (Agder Energi, 2021b, p. 20). Agder Energi AS works systematically to gain knowledge of current and future requirements, utilize available leeways, and assess strategic choices (ibid.). The outcome of these activities was clarified in December 2020 through their new corporate strategy “*Profitable growth into a renewable future*” (Agder Energi, 2021b, p.13). The board of directors in Agder Energi AS and Glitre has, moreover, signed a letter of intent on a merger. “*A fully combined entity would create a larger and more diversified utility and considerable synergies are identified*” (ibid.). It will be Norway's largest power group with operations in the entire value chain - from production of power to electricity for their customers (Agder Energi, 2021b, p. 30). The final decision is yet to be announced, but if approved, the merger contributes to a sustainable transition in which it is expected to generate jobs, support value creations, and attract new partners as well as it increases competitiveness and profitability (Agder Energi, 2021b, p. 30).

## **5. RESULTS**

In the following chapter, results from the interviews are being discussed in detail. The structure is determined by the themes we defined as a consequence of the data analysis in the previous chapter. Chapter 5.1. consider the concept of sustainability and the challenge of balancing the different aspects within the field. Chapter 5.2. encompasses findings we found relevant in the search to use management control systems to successfully implement ESG. A summary of the findings will be presented in Chapter 5.3.

### **5.1. The Concept of Sustainability**

The diverse concept of sustainability has resulted in three core themes that will be highlighted in the following subsections. The different themes are: the definition of sustainability, the perceived balance between environmental, social, and governance (ESG), and psychological ownership.

#### **5.1.1. Finding 1: Defining Sustainability**

Despite the numerous definitions of sustainability, most respondents find the UN SDGs helpful to give a brief explanation about the phenomenon of sustainability and tie the

terminology to relevant reflections. This is illustrated through a clear speech from interviewee 7: *“Mainly, I relate the terminology to the UN sustainability goals”*. Also, interviewee 3 exemplifies how the use of UN SDGs lays the foundation of sustainability: *“For me, it's obvious to think about what is related to the UN sustainability goals and the various definitions, concepts and objectives that are described through it”*. An interesting observation from the inputs concerns the reflections about the myriad interpretations. The interviewees clearly use the SDGs as an anchor to explain sustainability. However, several respondents challenge that the next step to really understand the concept of sustainability is to clarify its complexity. Particularly in relation to the consistency as an intertwined concept. A quote from interviewee 6 is used to highlight this statement:

*“The important thing is that the current development does not come at the expense of the next generation’s needs. I believe that it is about having a conscious relationship with the different dimensions of sustainability; the economic, social conditions, and environment and climate”*.

The variations of definitions can, however, lay the foundation of misunderstandings. Respondents reflect upon this challenge and highlight the importance of narrowing down the terminology. Instead of learning variations of definitions and bringing fancy words to the field, the interviewees emphasize the value in the basics. A quote from interviewee 8 highlights this conjecture: *“The definition of Gro Harlem Brundtland, when they came with sustainable development, it is great. That what we are doing should not be at the expense of others' opportunities. It stands strong, but it is timeless”*. Also, a quote from interviewee 9 emphasize this point of view:

*“It is about doing our job in a proper way. (...). We never used that many words and concepts of sustainability before. We have talked about corporate social responsibility which turned into the concept of sustainability. And as of today, we also talk about ESG.”*

A statement from Interviewee 7 raises awareness of another finding; that is, there is an existing confusion related to sustainability at a higher managerial level: *“Despite my role in Agder Energi, I have to admit that I am struggling to point out which one of the 17 goals we are focusing on. It is something about it, there are so many things, so many initiatives, and so*

on”. To some extent, the interviewees clarify there is a current challenge to define sustainability on each of the hierarchical levels. Furthermore, there is no evidence that indicates any differences in knowledge across the various subsidiaries and staff functions. The lack of a clear definition of sustainability brings several challenges to the field of which the interviewees identify several. For instance, interviewee 8 admits there are challenges such as: *“sustainability can be all or nothing”*. Interviewee 3 agrees to this assertion but makes a further comment: *“It is even used in political contexts”*. Despite the interviewees' awareness of current challenges due to a vague definition, they seem to have a common foundation; that is, the UN SDGs. Although the SDGs aim to guide companies to end global challenges, interviewee 8 explains that the SDGs can be applied on a personal level: *“One must somehow begin with UN sustainability goals. These are the definitions we must adhere to. That is what sustainability is”*. The interviewees suggest, therefore, to use the SDGs as a tool to understand the complexity of sustainability.

These quotes let us derive the first finding: *Employees find the term sustainability as a vague phenomenon but are familiar with sustainability as an intertwined concept. In that matter, the UN SDGs seem to help employees establish a common foundation of the phenomenon.*

### **5.1.2. Finding 2: Balancing E, S, and G**

While respondents are familiar with the interrelated concept of sustainability, the challenge of balancing the elements in ESG in Agder Energi AS are being stressed by several respondents. This is exemplified by a quote from interviewee 8: *“It is easy to fall into the trap by focusing on the environmental aspect alone. We have to remember that the social and societal aspect is part of it as well”*. Also, interviewee 7 speaks engagingly about this challenge:

*“One should not get stuck in the fact that it is only about climate and environment. Because it's easy to do that. And that's fine, but it's not always relevant. (...). In a way, I try to embrace the whole when I think of sustainability. That means sustainability is based on the four principles in relation to climate and environment, labor rights, human rights and anti-corruption”*.

The external pressure to combat climate change in recent years has forced companies to put additional focus toward elements such as energy efficiency and resource depletion. At the same time, Agder Energi AS operates within hydropower and, thus, a quick fix is to call

attention to the environmental aspect alone. In that manner, interviewee 3 concedes that the previous focus in Agder Energi AS has been pinpointed toward climate and environment: *“I don't think the awareness of the different goals have been present. But rather that climate and environment are the most important factors”*. Nevertheless, in alignment with other companies, Agder Energi AS must fulfill criteria in each of the three aspects to be considered as an ESG-friendly company. Interviewee 3 follows up and reflects upon the previous statement by saying that: *“I believe it has something to do with maturity and acknowledgement. It is just recently that people have raised awareness of the three dimensions, so the social aspect may have not been clear in the past”*.

While employees highlight that the environmental aspect has been accentuated in previous years, respondents justify an increased balance between environment, social, and governance. This is underlined with a quotation from interviewee 1: *“For instance, we didn't have any social goals. But a revision of the sustainability goals was made in 2019, and then we got sustainability goal number 8 as a main focus”*. Interviewee 7 agrees and adds another dimension to the social aspect: *“I feel there is a great focus on that as well in the company. We have regular measurements on sick leave but also on dimensions like work satisfaction and such things”*. These inputs, in particular, shed light on a raised awareness among employees of how Agder Energi AS works toward the social aspect. Data from the company's report on Diversity and Equal Opportunity is supplemented with the aim to get a comprehensive understanding of their social contribution. For instance, Agder Energi AS became recertified in 2021 under Ligestilt Arbeidsliv by *“providing equal opportunities to everyone regardless of their gender, religion, ethnicity, and disability or sexual orientation”* (Agder Energi AS, 2021d, p. 3). Facing concrete measures has been realized to achieve their diversity statement, such as an increased consciousness related to gender neutral language and photos in the recruitment process. Despite their measures and increased consciousness, they still recognize a skewed gender and ethnicity ratio. To cope with this issue, an increased use of LinkedIn Talent Solutions in their recruitment process has opened for a more diverse selection of candidates. Hence, Agder Energi AS (2021d, p. 12) claims that measures such as *“always invite one person from the underrepresented gender/from another ethnicity for interview”* are essential contributors to the social aspect.

Only a few respondents explicitly mentioned how Agder Energi AS works toward corporate governance. While the employees seem unaware of the company's measurements, additional



data therein the Sustainability Report are added. These findings indicate that measures of corporate governance have been incorporated. For instance, all employees must do an annual e-session that concerns topics such as ethical guidelines, internal controls, and dilemma training (Agder Energi AS, 2021b). Agder Energi AS has also established an interdisciplinary ethics committee that handles matters of whistleblowers. Additionally, a compliant function in the company prevents, identifies and responds to requirements that are stipulated by relevant laws and regulations (ibid.). Despite their contribution, the methodological triangulation clarifies a delineated attention of corporate governance. This assertion is supported by a quote from interviewee 7 who claim the focus on corporate governance has been practically nonexistent. Nevertheless, interviewee 7 believes there will be a pivot in the near future toward an increased attention: *“For example, the new Transparency Act is coming into force now. That may be our rescue - that things are regulated by law in relation to what one can and cannot do. When there is a law that says what to do, it becomes easier”*.

This guides us to the second finding: *The environmental aspect has previously been perceived as the vital element in Agder Energi AS. As a consequence of the current trend of internal and external forces, however, pushes the company to balance the aspects between E, S, and G.*

### **5.1.3. Finding 3: Psychological Ownership**

The term psychological ownership will be used in alignment with Chang & Hung’s (2021, p. 2) definition. In that matter, psychological ownership refers to managers’ and employees’ affiliation of sustainability aiming to increase employee motivation and positive attitude to incorporate ESG.

Even though the emergence of environmental problems and new initiatives brings pressure towards corporate sustainability, people are already questioning whether or not the term sustainability has been consumed and lacks relevance. Employees in Agder Energi AS find sustainability coherent on a theoretical level and consider it as “a good thing”. On the contrary, they crave an actual substance of the phenomenon within the company. A quote from interviewee 9 typifies this issue: *“I think it is a little bit of a bloated concept for a lot of people”*. Also, Interviewee 3 takes a critical stance of using the term sustainability on an overarching level in Agder Energi AS:

*“I think there is a job to make it more concrete. I believe people find it a bit timeworn. That sustainability has become a buzzword. One begins to think like this; what does it actually mean? Is it only a nice word? I have heard it so many times, and it doesn't actually mean anything”.*

Several respondents follow up on the assertion that the term sustainability is unappealing and has become a buzzword. This is exemplified by a set of rhetorical questions from interviewee 8: *“Do you think it is an abiding concept? Or are sustainability goals a flop? Do you think we will refer to this in a completely different way in three to five years from now?”*. The same interviewee follows up with the following quote: *“I don't think we are ever going to stop focusing on the environment aspect and constantly trying to get better. However, I'm not sure that we refer to the concept as sustainability. Therefore, I'm a little reluctant to push the terminology on the employees. You know, you get a little tired of new words because they tend to disappear”*. Overall, the interviewees justify their reluctance based on the idea that the terminology already lacks relevance. Also, ethical aspects crop up in the wake of sustainability being “all and nothing”. This is illustrated by a statement from interviewee 2: *“I believe there is a risk of greenwashing. (...). You may already experience that everyone uses and abuses it. (...). Perhaps there may be an underlying concern as to why it is difficult to trust the substance one is being presented with”*. Interviewee 9 expands this notion and reflects upon the company's use of the term sustainability in everyday life:

*“We agree that everything should be sustainable, so we may have to stop using the word. (...). Instead of just talking about sustainability, we should talk about climate, the environment, diversity, justice, social responsibility and solutions”*.

The idea of moving the attention from sustainability as a theoretical concept to a relatable notion to increase the substance is a widespread reflection among the interviewees. It seems that the interviewees find the content in sustainability more relatable and motivating than the terminology itself. This statement is supported by a passionate interviewee 9:

*“If you ask most people if they know what sustainability is, everyone will respond that they want to be more sustainable. But we cannot even explain what sustainability means to us in the company. And I think that is the general interpretation of the*

*population. We all have a desire to be more sustainable. But we do not really know what to do”.*

The latter statement brings us to the next consideration of whether or not there is a gap in knowledge between the theoretical definition of sustainability and the practical point of view in Agder Energi AS. While the interviewees claim that the word sustainability is found unappealing, it seems that the reasons may be related to lack of knowledge. Interviewee 4 is clear in the speech: *“I know that everything connects with everything. But I'm not sure that the company does, and that is something you have to understand. It's about our immaturity within the field of sustainability and that we don't understand what it is”*. To cope with the challenge of immaturity within the field, almost every respondent highlights the need for competence development. This statement is reflected by a quote from interviewee 3: *“We must raise our competence level in the organization. We must spend more time and focus on it. We probably need external resources or a person like Jan Atle who can help us to understand what it means and why it is important to us”*. Interviewee 6 emphasizes a vital element seeking for competence development in Agder Energi AS: *“I think people are motivated to learn more”*. Such a finding is valuable for further investigation. It clearly indicates that challenges related to lack of knowledge are not a consequence of unmotivated employees. Interviewee 2 elaborates with the following statement that pinpoint the general assumptions about the employee's motivation and attitude towards sustainable practices:

*“Lots of people are environmentally focused and think a lot about it. Others seem to think less about it. But there is probably a predominance of people who have a positive view on it. (...). The slightly older ones may think it is difficult and that it is difficult to persuade”*.

While most people in Agder Energi AS are motivated and bear a positive mind of sustainable practices, other challenges seem to be present in the company. This presumption is elaborated by a quote from interviewee 8: *“I believe that most people have a desire to do their job properly. So, I think it's very much about making people understand that they have a place in the world working with sustainability”*. The interviewee clarifies that the problem is not related to the motivation of doing what is right, rather that the issue is connected to the matter of an individual value. Interviewee 3 pinpoints the important issue in relation to the latter statement: *“There is a challenge to make sustainability close to us”*. This notion stresses the

importance of psychological ownership. In that manner, there seems to be an absence of psychological ownership due to the lack of understanding on a corporate level. Findings indicate, therefore, a need to shed light on the supplemented value on an individual level, aiming to reach the company's SDGs. Employees must understand that their everyday contributions matter. Data implicate, however, that some of the interviewees already acknowledge this assumption. Interviewee 4 says: *“I am concerned that sustainability is about what I do every day at work, what I do every hour, that every minute become more sustainable”*. Also, interviewee 5 emphasizes that sustainability is related to everyday operations: *“You talk to customers every day, and how you can help them with, for example, energy saving. It's not something that you might think about as sustainable. But it actually is. We do it every day”*. Nevertheless, the overall findings implicate there is still some work left to create a psychological ownership to the sustainable strategy in the company. This is illustrated by a statement from interviewee 8:

*“Maybe we have to understand the “why”. Maybe the feeling of doing the right thing evolves into pride. That you want to do it in a proper way and say: “wow, awesome, what we are doing is sustainable”*”.

While Agder Energi AS consists of nearly 900 employees working within different subsidiaries and within the whole value chain, a crucial question arose; how can Agder Energi AS contribute to solve the challenge of *why* and create a psychological ownership for each and one in the company? Currently, Agder Energi AS is regularly communicating stories of *how* they contribute to sustainable development. Although employees value success stories, they still question whether there is a lack of substance and closeness that enhances motivation and psychological ownership. This is exemplified by a statement from interviewee 10:

*“If you talk about whether you have had measures on insects, reeds and salmon ladders, the communication strategy should have a direct link to the chosen sustainability goals. (...). I believe that an increased awareness of how our daily work is related to the goals could be game changing”*”.

The interview with participant 4 emphasizes quite another important aspect of how the company can enhance ownership through their communication: *“I get proud when I notice*

*how hard people have worked. However, I do not like sunshine stories. I think it's much more exciting to hear about things that did go wrong and how they survived after all. (...). I think that is how you build a culture of sustainability; you need stories and examples. And do it close and dear*". It seems, therefore, that Agder Energi AS needs to find variations of communication strategies to suit everyone's demands and trigger points. To this degree, Interviewee 9 elaborates with the following statement: *"I think we need to be more transparent about the pros and cons of our communication. (...). We must talk about what is difficult and what creates conflicts. Our operation has negative consequences, and that is also something we will have to talk about"*. Interviewee 9 concludes with the following reflection to enhance ownership:

*"We have potential to work with the meaning of sustainability within Agder Energi. We have to work with our storytelling - because we are already doing so much good"*.

Our interpretation of the data is, thus, that Agder Energi AS makes active choices to reach their chosen SDGs. Nevertheless, it seems to be a missing link between the theoretical knowledge about sustainability and what it means on a corporate level. Consequently, employees seem ignorant of how their individual work can affect the operative goals. Findings also indicate that employees are unaware of why they should contribute to the green transition. Based on these arguments, it seems to be a lack of psychological ownership due to the current challenge of making employees personally attached to the company's sustainability strategy. Employees are motivated and bear a positive mind to actively support a sustainable operation, yet they neglect to use the term sustainability in everyday speech. This creates additional distance aiming to develop a psychological ownership.

This brings us to the third key finding: *There is a gap between the theoretical and practical understanding of sustainability in Agder Energi AS that must be aligned to enhance a psychological ownership to the corporate sustainability strategy.*

## **5.2. Management Control Systems**

Within the field of the management control system, the main findings from our interviews have emerged into the following four themes; that is, communication, sustainable competence development, the importance of leadership, and sustainable KPIs.

### 5.2.1. Finding 4: Communication

Questions regarding communication were primarily pointed towards the quantity and quality of content in the following topics; the corporate meaning of sustainability, the chosen SDGs, and whether there are collaborations across the different subsidiaries.

Findings show that the pile of communication regarding sustainability and SDGs is present but not at the preferred level. A statement from interviewee 2 emphasizes this assumption: *“I experience that there is little communication about this”*. Interviewee 5 agrees but indicates there has been an increased focus toward sustainability in recent periods: *“There has been a lot of extra focus lately. However, I probably think that communication on a general basis, if you disregard the last few weeks where the focus has been high, should have been better”*. Respectively, a quote from interviewee 3 exemplifies how the company has changed the last six months: *“If you had asked me before Christmas, I would have said that it was relatively thin and not very many people talked about it”*. Although findings indicate there has been a positive change up till recently, the interviewees are clearly not satisfied with the company's communication strategy. It seems that Agder Energi AS should steadily raise their present communication in evasion to recall their previous state as of 2021. Also, the interviewees pinpoint the facts that it is not enough to direct attention on sustainability in snapshots of time. Especially, a statement from interviewee 5 is used to emphasize the importance of a continually focus on sustainability to positively affect the implementation process:

*“The important thing is to understand that it must be implemented in everything you do if it is going to have an effect. You cannot just direct focus on it for a few weeks. But I think they have understood the importance as sustainability goals are visible everywhere”*.

The latter quote serves another key point that we observed during our research. To bear more focus on sustainability in the company, an efficient system is through tangible symbols in the office building. For instance, Agder Energi AS have signboards with their chosen SDGs, obviously placed diplomas in their entré, and repeatedly video clips of how they contribute to sustainability on displays. Tangible symbols are a convenient tool to interpret sustainability in the employee's subconsciousness. It is a cost-efficient strategy that adds long term value.

Notably, it helps to maintain a strong presence at the workplace and enhance a corporate culture for sustainability.

Communication is an efficient tool to provide employees with valuable information. Hence, it could be a dependent factor for the implementation of ESG in the company. Nevertheless, which platform Agder Energi AS uses to supply information can influence how employees interpret the matter of urgency. As of today, internal reports, meetings, and an intranet called Workplace are the main platforms for communication in Agder Energi AS. The interviewees put additional emphasis on Workplace as a commonly used platform to share knowledge and information. It allows everyone in the company, despite their hierarchical level and subsidiary, to post stories and share information about sustainability. Yet, it is also a platform for employees to share pictures from the weekend's trip to Hovden, social events, and information that targets only those with particular interests. Thus, interviewees acknowledge that Workplace is often overloaded with information. They express an ambivalence; it is a simple and efficient tool, yet there is a coincidence whether or not people read the information. The latter notion is supported by interviewee 2 who says:

*“Obviously, we have other things to do than stay up to date on Workplace. I think it's a bit coincidental if people notice it”.*

Based on the abovementioned quote, we question whether Workplace is a valuable tool to communicate the corporate sustainability strategy. While it is a great tool to share stories and articles, the challenge lies in the coincidence of whether or not people read the content. Inputs from the interviewees clarify that the coincidence is based on whether people find the topics relevant and valuable, or if they recognize it as “noise”. While sustainability suffers from its complexity, findings indicate that development of a common understanding will be difficult using this platform alone. This issue of concern is highlighted by a quote from interviewee 6:

*“Sustainability is so complex so you may not understand it until you actually discuss it. I think it requires something other than a one-way communication channel.”*

While interviewees state that communication occurs in meetings and reports as well, it raises the question of whether such arenas are better suited to communicate sustainability in Agder Energi AS. In response to both external and internal forces, annual sustainability and climate

reports are published for review. Even though such reports include information that support competence development, the comprehensiveness makes it less user-friendly and tiring for employees to read. Instead of functioning as a tool to communicate in-depth information, the heaviness seems to be a barrier for the employees. Interviewee 9 reflects upon the use of annual reports and says: *“It is probably not through these reports that you get employees engaged”*. Nevertheless, Agder Energi AS have acted on previous feedback in terms of simplifying the reports. This finding was highlighted by interviewee 6: *“We had someone who helped us last year to rewrite the language in the sustainability report in particular. This was a strategic move to make the language more understandable”*. Interviewee 6 continues and puts emphasis on the importance to clarify the desired outcome of a publicity: *“I believe that future reports have potential to be valuable. But we have to decide whether we want to trigger discussions or value-adding measures”*.

To some extent, we find evidence that supports an existing communication across the various subsidiaries. It is reasonable that Agder Energi AS puts less effort in this communication strategy as it requires additional resources and coordination. Nevertheless, a handful of interviewees were positive towards a more engaging communication strategy and increased knowledge sharing across the subsidiaries. While Workplace has its limitations to share and gain in-depth information, data shows that the interviewees are critical of applying other digital platforms to cope with the issues. Rather, they suggest physical attendance. Interviewee 1 pinpoints: *“It is not that easy and I am doubtful to... If you want more such platforms, like we already have Workplace you know. I prefer physical platforms”*. Knowledge sharing through interactive platforms opens to utilize existing resources in the various departments. Moreover, there are great opportunities to raise a united and sustainable culture through such initiatives. Additional findings of how the company yields sustainable competence development through interactive learning and communication will be elaborated in chapter 5.2.2.

This brings us to our fourth finding: *There are current limitations in the company's communication strategy. The widely used communication platform, Workplace, does not encourage in-depth knowledge but is suitable to share fewer complex phenomena. Employees are, however, positive to interactive learning in physical arenas.*



### 5.2.2. Finding 5: Sustainable Competence Development

An interesting theme that appeared from our data collection was the perspective on sustainable competence development. Competence for sustainability is becoming a competitive advantage. The interviewees bear a positive mindset and are eager to increase their knowledge. They specifically put fingers on their lack of knowledge regarding the comprehensiveness of sustainability. This finding is essential aiming to implement ESG. They admit an immaturity in the field but also imply a proactive state of mind of how they can cope with this challenge. This attitude is an important first step seeking sustainable competence development. A quote from interviewee 1 is used to exemplify how the company is currently working to increase employee knowledge:

*“We are now working on building competence on this theme. The goal and hope is that the employees have a completely conscious relationship to why we do this”.*

The perception from the interviews is that everyone has a certain knowledge of sustainability. One action that will help to strengthen competence in the workplace is to develop some sort of learning that can give everyone a basic understanding. While sustainability is a complex phenomenon, it is not expected that everyone should be experts in the field. Yet, a basic but common knowledge may bridge the gap between the theoretical and practical understanding of sustainability as discussed in previous chapters. This brings us back to an important finding from chapter 5.1.3.; that was, the importance to understand *why* employees should contribute to the green transition. The abovementioned quote from interviewee 1 especially shed light on the need for competence development to seek answers of why. This leads us to the core of this chapter, namely, specific findings that suggest how Agder Energi AS can facilitate competence development and handle the lack of knowledge. To cope with the complexity of sustainability, the interviewees state that more interactive sessions could be valuable. A statement from interviewee 5 is used to sum up the general interpretations of why they believe in interactive programs:

*“Working on projects may be the best way to do it, then you may get a better focus and understanding about it”.*

Agder Energi AS is currently applying their intranet seeking a common understanding among their employees. Interviewee 2 challenges this approach: *“It gets kind of information-based. It remains that we, in one way or another, have more of an active involvement”*. To some extent, there seems to be an overall agreement that interactive learning is preferred. Interviewee 6 positively talks about an effective way to apply interactive learning at work:

*“It was something I liked very much. All teams or departments had to watch a movie or lecture together that lasted about 45 minutes. And then, we had a discussion assignment afterwards. We steamed up and discussed the content afterwards. And I think that could have been such a useful approach for sustainability as well. That you get some professional input and then you can talk about what it means to us. And the key word: use it yourself”*.

While interviewees quest for a more interactive approach to increase their knowledge, data indicate there are other benefits with interactive learning than previously mentioned. Discussions and teamwork will contribute to increased reflection and subjective reasonings. An interactive approach might also foster debates among employees in later stages, for instance, in the cafeteria or in the elevator. Such possibilities are exemplified through speculations from interviewee 3: *“When you have already talked about it once, it could also make people think more about it”*. This reflection should not be ignored seeking to mature and spread an awareness of sustainability among employees in Agder Energi AS. The employees quest for competence development and collaborative sessions across hierarchical levels and subsidiaries. Despite the opportunities, we acknowledge there are challenges associated with competence development. In particular, additional resources due to costs, labor, and time should be taken into account. It will require planning to decide how to prioritize this, and how it can be implemented in everyday work. It is clear that green investments can bear additional costs, such as investments in expertise. Nevertheless, competence development must be acknowledged as a long-term investment that can result in increased value at a later stage. If the company manages to develop employees and become a valuable player in the green transition, this will in the long run strengthen its reputation and branding. Moreover, it might open for competitive potential by offering a workforce that attracts talented people and, thus, manages to maximize profit and attract additional stakeholders.

Our finding number five is as follows: *There is a need for competence development in Agder Energi AS aiming to develop a common understanding of what sustainability means in the company and why individuals should contribute. Interactive learning is preferable among the interviewees to increase their knowledge.*

### **5.2.3. Finding 6: The Importance of Leadership**

Agder Energi AS have been working toward a sustainable practice for several years. Nevertheless, exceedingly every respondents highlight 2019 as the focal point where the focus on sustainability accelerated in the company. A comment from interviewee 6 is used to explain why: *“I think it was in 2019, when we started working on the UN sustainability goals, that we really put sustainability on the agenda”*. It is noteworthy to mention that also the interviewees who have been working in Agder Energi AS for almost a decade put their fingers on 2019 as the defining moment. While the commitment to the SDGs was a turning point for the company, other events were also highlighted. Some of the interviewees explained the increased focus as of 2019 as a consequence of internal and external forces. Interviewee 3 reflects upon this and says: *“It is expected from Norwegian and European society that we are doing something, so we are probably a function of that. But only to cover the most necessary”*. However, the most repetitive answer was based on the employment of a senior advisor for sustainability. A statement from interviewee 2 is used to exemplify the common presumption:

*“Jan Atle was hired to work with sustainability in the group. It became a main responsibility and also included in the company. That was a milestone. He follows up and reports on it - puts it on the agenda”*.

While the SDGs were revised in 2019 and surely brought sustainability on the agenda, a common pitfall is to eventually slow down the acceleration. Interviewee 6 states that this has been the reality in Agder Energi AS as well: *“It was a great focus when we decided which one of the SDGs we should have. But then it was like, when the goals were set, then... That's probably where I think we have the greatest potential”*. Nevertheless, the respondents seem reflected upon this challenge. Interviewee 1 alludes to the importance of good management to cope with this challenge: *“We are on a journey, but we must constantly make sure that we have some kind of progression. However, I really feel like we have the management team behind us in this area”*.

With the aim to fully integrate sustainable practices into daily operations, Agder Energi AS is dependent on leaders that value sustainable practices. Interviewee 2 is straightforward and states that: *“It is a management responsibility”*. Furthermore, the interviewees agree upon the leaders duty to serve as role models and are positive to a top-down approach. This is echoed in a statement from interviewee 6:

*“Leaders need to demand it. They need to aim attention at the way we think about sustainability. How we should deal with it and what our ambitions are in relation to this”*.

Also, interviewee 3 acknowledges the importance of a strong management team in the essence of corporate sustainability: *“I think it is important that the management defines it as important, just as important as financial results. And creates arenas for it. Only when the management says we are going to focus and use resources on sustainability, only then do you get the organization to work with it. Otherwise, it will be difficult to work towards this”*. Fortunately, Agder Energi AS has a strong culture of “doing the right thing” and a management that values sustainable practices. Interviewee 1 highlights this point of view: *“We have a very good foothold in the management team. I think that is crucial if we are going to achieve this”*. Findings surely indicate that interviewees bear a positive mind to their management, but maybe more importantly, believe in their skills to manage corporate sustainability.

The bedrock of how Agder Energi AS engages different leaders within each subsidiary lies on the CEO and the corporate strategy. Without incentives and motivations that encourage and push managers to pilot the company into the green transition, implementing sustainability is found challenging. The corporate strategy brings definite and valuable guidelines to both leaders and employees. With this in mind, a statement from Interviewee 3 is used to exemplify the perception of how Agder Energi AS succeeding uses their strategy to put sustainability on their agenda:

*“We have a corporate strategy that says we should be the best in class. And a CEO who wants us to be very good at this”*.

Also, a remark from interviewee 8 highlights the confidence in the matter of an integrated corporate sustainability strategy: *“It is within our strategy and it is well rooted”*. Agder Energi AS is a well-established actor in the renewable power industry and performs well in the area of sustainability. Nevertheless, respondents emphasize the importance to continuously work towards sustainability to stay due diligence and competitive. This is pinpointed by a quote from interviewee 6: *“But we should not in any way be pleased. We must continue to challenge ourselves”*. While sustainability is certainly on the agenda as of today in Agder Energi AS, the company still has potential for improvements as interviewee 2 tells us: *“Personally, I do not think we are where we should be, but it is clearly on the agenda”*.

This brings us to finding number six: *Agder Energi AS is dependent on a top-down leadership approach that serves as role models, integrates sustainability in the corporate strategy, and puts it on the agenda every day.*

#### **5.2.4. Finding 7: Sustainable KPIs**

Tracking KPIs is an efficient way to motivate employees in a business context. It is also a widespread phenomenon to reach financial measures. Nevertheless, a common pitfall is to ignore the potential to measure sustainability performance. A comment from interviewee 8 highlights the current state in one of the subsidiaries: *“To my knowledge, there is no such thing as KPIs with the heading sustainability in our subsidiary today. We have not managed to do that”*. Other findings implicate, on the other hand, that sustainability is currently measured through a comprehensive set of KPIs. In that matter, interviewee 3 states that to measure every aspect within ESG, supplemented measures must be added: *“We have chosen some sustainability goals in our utility. It will, therefore, be reasonable to tie KPIs to these in the future. We need to sort out the KPIs we already have and at the same time add some new ones that are geared towards the sustainability goals we have chosen”*. The quote from interviewee 3 shed light on an important factor; the KPIs must be updated regularly, in line with the company's strategy and goals, to fully exploit its potential. To that matter, the interviewees notice that the company has fixed measurements on health and safety. Specifically, Agder Energi AS has a goal to have an absence of 3 %. Input from interviewee 3 explain some of their actions to reach their goal: *“We do have preventive offers such as massage, free fruit and vegetables, and are also, for example, in a national activity campaign with Tappa. Such a competition activates employees while it contributes to a better*

workspace at the same time”. Health and safety are common and easily measurable goals. However, the company also has other measures that are coherent with SDG number 8. Referring to interviewee 5, additional KPIs that are coherent with the company’s SDGs have been incorporated:

*“We have regular measurements of sick leave, of course, but also dimensions such as job satisfaction and things like that”.*

Observations from our regular workshops have provided us with valuable insight due to the challenge of sustainable KPIs. Findings and measurements presented in this paragraph are under construction, so changes may occur. It indicates, however, which direction Agder Energi AS is headed. The supplemented evidence shows that a team in Agder Energi AS is currently establishing a bunch of sustainable KPIs related to each aspect within ESG (see Appendix 3). In that matter, findings reveal that the KPIs are based on a previous materiality analysis as shown in Figure 5.



**Figure 5:** Analysis of Material Elements from 2020<sup>3</sup> (Agder Energi AS, 2021c, p.12).

<sup>3</sup> The x-axis represents an overview of risks and possibilities in terms of economic, environmental, and social impacts that are identified as the most important in Agder Energi AS. What is considered of the greatest importance and will influence the assessments and choices of the company's stakeholders is shown on the y-axis (Agder Energi AS, 2021c).

Some of the KPIs are visible measures and will, thereof, result in added value, such as branding and a diverse workspace that foster creativity. For instance, Agder Energi AS is going to electrify a car fleet, where the absolute requirement is that 40% should be electric within 2030. They are also developing KPIs to reduce emissions from business travel. In fact, these measures encourage employees to choose environmental options when it is possible to reach their goal of reducing emissions by 40 % by 2022. Additional KPIs on the social aspect include measures such as the proportion of full-time employees and trainees; that is, more than 97 % and 12 respectively. Other KPIs are less visible but at least as important. These will be of great importance in reducing greenhouse gas emissions, environmental impact and biodiversity. An important measure, that was also highlighted by several interviewees, is to reduce the SF6 gas emission in their operations. They have a clear goal to reduce the SF6 gas to 0 % by the end of 2030. This measure includes an assessment of projects, reinvestments, and upgrades of various facilities. Additionally, measures to reduce the use of cement by 50 % by 2030 forces the purchasing manager to buy more sustainable cement in terms of analyzing the whole value chain. A governing document notes that the sustainable choice is preferred as long as the additional cost is less than 20 %. Such a document helps employees to take an objective stance in decision making. An objective requirement will make it easier to choose the sustainable option. Another invisible KPI is job satisfaction at the workplace, which was previously highlighted by interviewee 5. Specifically, Agder Energi AS performs annual employee satisfaction surveys to measure attractiveness and satisfaction at work. Hence, the company opens for employee feedback that can be used to correct specific errors. Also, it copes with the challenge to measure quantifiable measurements.

A following question arises in the wake of applying sustainable KPIs in the company; that is, how do the interviewees believe sustainable measurements should be presented in order to get the desired attention? This challenge is found essential with the aim to successfully implement ESG. The general interpretation from the interviewees is mirrored through interviewee 6: *“I think that whenever there is a meeting in the company, the goals should be presented in the same way as financial results”*. The interviewees quest for regular updates and status of the company's sustainable goals. Interviewee 6 suggests a specific strategy of how to present it: *“Maybe we should be better at talking about our specific sustainability goals but also how they contribute to sustainability”*. Also, interviewee 10 responds to the quest for regular updates: *“For example, creating a dashboard that shows how the KPIs are*

*connected to the different SDGs. Also how to achieve the goals. It might raise employee awareness. I think it would have been interesting to get more insight on how things are progressing according to the SDGs”.*

While Agder Energi AS seems to acknowledge the importance of measures in order to add focus on sustainability, we question the paradox of balancing ESG measures and financial goals. Sustainable and financial goals can be conflicting, so our questions are related to whether the interviewees believe in future frictions. The common understanding is illustrated through a reflection from interviewee 3:

*“I still have not experienced any conflicting goals because I do not think we have focused enough on sustainability. For example, we have not compared two suppliers and chosen one over the other due to sustainable goals. But I think we need to face this in the future. We must take the consequences of creating sustainable goals and measures”.*

Although we have no evidence that neither supports nor neglects the fact that Agder Energi AS will face future conflicts, the common understanding among employees clearly speaks for future challenges. We find this evidence, therefore, valuable for the current implementation of ESG in the financial function. The interviewees state that, as of today, there are about no governing documents in the company that imply whether employees should choose the profit maximization or sustainability friendly choice. Interviewee 7 says: *“I think I dare to say it is up to the individual to make decisions”.* Interviewee 7 elaborates with the following statement: *“One of the subsidiaries has, for example, said that if the costs are less than 20% higher by choosing something climate-friendly, then we will do it. I think more people are looking for such criteria”.* Findings from internal documents indicate that the company recognizes the need to give mandate to certain roles seeking to achieve their goals. As shown in Appendix 3, in order to reach their goal of minimum 35 % women and at least 2 women in each management team, the HR will be given a full mandate in the employment process. Based on present and future challenges, it will be interesting to keep a tab on how Agder Energi AS gives further mandate to employees choosing one goal-conflicting measure over another.



This brings us to the seventh finding: *Agder Energi AS is currently implementing suitable KPIs for sustainability. Tracking measures pushes sustainability on the agenda yet it opens up for conflicting goals that must be handled through governing documents or specific mandates.*

### 5.3. Summary of Findings

The key takeaway from our findings is that Agder Energi AS has strategically and analytically been working with sustainability since 2019. The employment of a senior advisor for sustainability has shown to be important. Especially, a manager with focus on sustainability has brought it on the agenda every day and taken the lead toward a sustainable corporation. Additionally, employees have gained a basic knowledge of the theoretical aspects of sustainability. Nevertheless, findings illuminate a current limitation; that is, ignorance of what sustainability means on a corporate level. The missing link between a theoretical and practical understanding is a result of immaturity in the field. Hence, the interviewees quest for sustainable competence development, particularly in terms of interactive learning and shared experience. Findings indicate that sustainable competence development and knowledge sharing will result in psychological ownership. There are also reasons to believe that establishing sustainable KPIs will enhance focus on sustainability. A summary of the main findings is presented in Table 3.

*Table 3: Summary of the Main Findings*

<b>Overarching Themes</b>	<b>Main Findings</b>
Defining Sustainability	<i>Employees find the term sustainability as a vague phenomenon but are familiar with sustainability as an intertwined concept. In that matter, the UN SDGs seem to help employees establish a common foundation of the phenomenon</i>
Balancing E, S, and G	<i>The environmental aspect has previously been perceived as the vital element in Agder Energi AS. As a consequence of the current trend of internal and external forces, however, pushes the company to balance the aspects between E, S, and G.</i>
Ownership	<i>There is a gap between the theoretical and practical understanding of sustainability in Agder Energi AS that must be aligned to enhance a psychological ownership to the corporate sustainability strategy.</i>
Communication	<i>There are current limitations in the company's communication</i>

	<i>strategy. The widely used communication platform, Workplace, does not encourage in-depth knowledge but is suitable to share less complex phenomena. Employees are, however, positive to interactive learning in physical arenas</i>
Sustainable Competence Development	<i>There is a need for sustainable competence development in Agder Energi AS aiming to develop a common understanding of what sustainability means in the company and why individuals should contribute. Interactive learning is preferable among the interviewees to increase their knowledge</i>
The Importance of Leadership	<i>Agder Energi AS is dependent on a top-down leadership approach that serves as role models, integrates sustainability in the corporate strategy, and puts it on the agenda every day</i>
Sustainable KPIs	<i>Agder Energi AS is currently implementing suitable KPIs for sustainability. Tracking measures pushes sustainability on the agenda yet it opens up for conflicting goals that must be handled through governing documents or specific mandates.</i>

## 6. DISCUSSION

This chapter includes a thorough discussion of the overarching themes from chapter 5. Findings will be analyzed in consideration of the theoretical review from chapter 2. Within each of the findings, a discussion will be held in light of our research question; that is, “*How does management control systems affect the implementation process of ESG?*”. The structure of this chapter will mirror the preceding chapter and is, thus, determined by the overarching themes. That being said, Chapter 6.1. brings a discussion about the concept of sustainability. Chapter 6.2. will bear its discussion within the field of management control systems.

### 6.1. The Concept of Sustainability

A theoretical and practical understanding of the concept of sustainability lays the foundation of how Agder Energi AS can apply control systems to motivate employees into the green transition. Therefore, a discussion of the following themes; that is, defining sustainability, balancing E, S, and G, and ownership, are found to be important aiming to answer our research question.

### **6.1.1. Discussion of Finding 1: Defining Sustainability**

*How does the definition of sustainability affect the implementation of ESG in Agder Energi AS?*

Mapping the perceived understanding of sustainability was found essential to ensure good quality throughout our master's thesis and to answer our research question. Besides, a common understanding among the employees is challenging yet essential to accomplish a successful implementation strategy.

In line with the theory, the employees in Agder Energi AS are well aware of the myriads of definitions and the complexity within the field of sustainability. Likewise, the numerous scholars who emphasize the importance of moving beyond the single-minded focus of economic sustainability, the employees in Agder Energi AS acknowledge sustainability as an interrelated concept. Specifically, what Elkington (2004) refers to as the TBL; that is, economic, social, and environmental pillars were highlighted among the employees in Agder Energi AS.

Despite the overarching knowledge of sustainability, the definition is still suffering from its ambiguity. In fact, the interviewees claim sustainability consists of “all or nothing”. This corresponds well with Dixon and Fallon (1989) who state that sustainability is defined so broadly it can create confusions. For instance, respondents argue that sustainability has evolved into a political concept. This point of view is reasonable according to several authors who integrate dimensions such as poverty, gender equality, and social justice in terms of sustainability (Pedersen & Jørgensen, 2018; Wiersum, 1995). To cope with the challenge of confusion, the UN SDGs are commonly applied by the employees in Agder Energi AS to concretize the phenomenon. While sustainability is perceived as an abstract concept, an application of the 17 SDGs formulates a clear and tangible framework that is coherent with the employees beliefs.

Alhaddi (2015) argues for a maintained applicability of the given term sustainable development from 1987. While employees in Agder Energi AS address the basics within sustainability in light of the present and future existence on earth, this argument is shown to be the actuality in Agder Energi AS as well. Employees in Agder Energi AS seem to

somehow have a common understanding of sustainability, referring explicitly to the Brundtland report or implicitly through the UN SDGs, including the intertwined concept of economic, social, and environmental aspects. A common understanding of sustainability is the foundation for a successful implementation of ESG in the company. Hence, there is no evidence that implies that Agder Energi AS should fail to implement ESG into their daily operations due to the lack of theoretical knowledge among employees.

### **6.1.2. Discussion of Finding 2: Balancing E, S, and G in Agder Energi AS**

*How does the balance between E, S, and G in today's operations affect the implementation of ESG in Agder Energi AS?*

ESG is a clear-cut terminology that, as for comparison with the term sustainability, does not suffer from ambiguity (Niemoller, 2021). Nevertheless, the business case for sustainability encounters another challenge in terms of balancing the environmental, social, and governance elements in the company. While Agder Energi AS is going to implement ESG in the financial function in the nearest future, questions of whether or not the employees are familiar with ESG and how the company is balancing the aspects as of today appeared relevant for further exploration. This assumption is based on the idea that any study investigating an implementation process of ESG should consider each of the three aspects in which they must be actualized to seize a successful implementation (CFI, n.d.).

The environmental aspect in ESG has previously been the core element in Agder Energi AS according to all the respondents in the company. This finding was just about predicted as the company is one of the greatest facilitators within the hydropower industry in Norway. While Agder Energi AS operates within the hydropower industry and must respond to shareholders' and stakeholders' interests as a profit maximizing company, their daily work has been founded on environmentally friendly operations. To that degree, we find it reasonable to state that Agder Energi AS had more or less a single-minded focus on profit maximization with environmental elements up till a recent point. One can argue that Agder Energi AS started to participate in the green transition in 2010 when they first began reporting according to GRI standards (Agder Energi, 2021b, p. 126). While reporting to the GRI standards increased the focus on environmental elements for certain utilities in Agder Energi AS, a sustainable corporation that included all the elements within ESG was yet to be settled. This argument aligns with the respondents point of view as they call for an exceedingly climate and

environmentally friendly stance up till 2019.

Agder Energi AS entered a vital collaboration with the UN Global Compact in 2014. Aiming for elements such as human rights, labor standards, external environment, and anticorruption, the social aspect in ESG has proved to be important in Agder Energi AS for nearly a decade. While respondents emphasize 2019 as the defining moment in as much as they integrated SDG 8 in their corporate strategy, we notice a time gap between the actual focus in the company and the perceived attention on the social aspect. This finding brings up an interesting discussion; that is, the importance of shedding light on operations that the company recognizes as crucial. Although Agder Energi AS has been working towards an improved social standard since 2014, neither of the respondents associate the social aspect in relation with the UN Global Compact initiative. Interviewee 3 explains the divergence by means of lack in knowledge among employees. In such a manner, once Agder Energi AS revised the SDGs in 2019, and specifically included SDG number 8, a raised awareness of the social aspect occurred in the company. This clarifies how a topic is perceived more important by the employees once the company puts it on the agenda. Agder Energi AS was, among other things, recertificated with Likestilt Arbeidsliv in 2021. This committed the company to work towards equality and diversity in the workplace. Thus, the evidence implies that Agder Energi AS began a systematic and strategic work to improve social standards before 2019. From a critical stance, it is reasonable to question the internal communication in Agder Energi AS in which it seems that employees are unaware of their contribution toward an ESG friendly stance. Nevertheless, the interviewees reveal how the company has pivoted the single-minded focus concerning additional pillars as of today. They explicitly refer to social measurements such as sick leaves and work satisfaction which yields to similar principles that are highlighted by authors such as Galbreath (2013) and Robeco (n.d.c.). No matter how or to what degree Agder Energi AS have been working with the social element up till this point of time, the findings show in certainty that the company is currently working on this element and puts social measurements on the agenda.

A wide array of elements is brought into account within the pillar of governance. Among other things is the balance between the TBL, according to Elkington (2014), a vital question one should take into account when referring to governance. This challenge brings up the preceding dilemma of whether or not employees sense a balance between the interrelated phenomenon of sustainability in Agder Energi AS. While the interviewees try to embrace

both the TBL and elements such as climate and environment, labor rights, human rights, and anticorruption on a personal level, one can question whether or not the company echoes this focus. Nevertheless, we find it reasonable to state that governance is sustained in Agder Energi AS as the company revised the SDGs in 2019 and shed light on sustainability for sure with elements beyond economic elements. Moreover, their reports on how they contribute to, for instance, a diverse workforce and reducing emission, is open for review to everyone. This is in alignment with Lerach (2002) who put additional emphasis on the importance of transparency. Also, as stated by interviewee 7, there are reasons to believe that the focus on governance will increase in Agder Energi AS as external forces initiate new requirements and regulations that the company must take into account in future operations.

The evidence shows there is a high level of know-how of the balance between the pillars of ESG in Agder Energi AS. Although the interviewees explain that the company previously seemed to emphasize the environmental aspect, an internal revision of the SDGs in 2019 and external forces that pushes the company to put sustainability on the agenda has brought pressure to balance the three aspects in Agder Energi AS. What is noteworthy to disclose is the importance of shedding light on operations the company values as important. Mapping the knowledge of ESG among employees in Agder Energi AS demonstrates the influence the company has on its employees and to what degree they perceive things important based on how much time and resources they put into it. These acknowledgements are valuable in further discussion but not least for achieving a successful implementation of ESG throughout the company. Hence, a transparent and continuous dialogue of how they are working to implement ESG in the financial function at this point of time is recommended to increase their chances of successful implementation.

### **6.1.3. Discussion of Finding 3: Psychological Ownership**

*How does ownership affect the implementation of ESG in Agder Energi AS?*

Ever since the Brundtland Commission shed light on sustainable development in 1987, researchers have suggested that companies should take an active role to solve both economic, environmental, and social challenges (Pedersen & Jørgensen, 2018). The current quest from internal and external forces that pushes companies towards the green transition has, however, loomed into an aggregation of definitions and interpretations of sustainability (Kajikawa et al., 2014, p. 431; Purvis et al., 2019, p. 681). That being said, the previous sub chapters

indicate that the interviewees are well-aware about the numerous interpretations. Furthermore, they have a common understanding of how Agder Energi AS is currently balancing the pillars in ESG. Nevertheless, the interviewees call for an ambivalent definition of sustainability in the company. In accordance with Farnham (2021), the interviewees query an actuality of ESG in the company; “*what does it mean for Agder Energi AS?*”. The interviewees state that the term sustainability lacks relevance in a business context. The agreement of unclarity is in harmony with Wiersum (1995) who claim that one of the pitfalls when referring to sustainability is the challenge to operationalize the term in specific situations. The interviewees lean on the SDGs to concretize sustainability on a theoretical level. On the contrary, neither are the interviewees able to explain what it means in a practical way, nor do they know how their daily practices contribute to what Gray (2010) refers to as a sustainable state.

The term sustainability has, according to the interviewees, a matter of fact become clichéd as it is used in every thinkable context. Based on this consideration, particularly two drawbacks are recognized as possible barriers toward a successful implementation of ESG; that is, fear of greenwashing and the irony of a “lifeless meaning”. The parallel between the concern of greenwashing and an overuse of sustainability which has led to a notion drained of meaning, is the perceived lack of substance in terms of sustainability. Consequently, findings from both scenarios indicate that employees take an active role, as what we will refer to, as a *postponer*. A *postponer* in this context is an employee that is reluctant to use the term sustainability and waits to adopt the term as long as possible. Some *postponers* in Agder Energi AS bring up the ethical discussion in terms of abusing words that do not really affect the company's operations. Others emphasize their tiredness of pushing fancy words on employees to stay up to date. They question whether or not sustainability has become a buzzword. This is, in accordance with Dixon and Fallon (1989) and Wiersum (1995), a common pitfall if sustainability is not carefully concretized in that matter. Hence, it supports our arguments to make sustainability a relatable notion. From a critical stance, we question whether a *postponer*'s point of view will cause a corporate culture where employees are resistant to new terminologies, ideas, and improvements on a general basis. Worst case, it lays the foundation of a workforce based on discouragement and refusal. Such behavior prevents managers from reaching overall objectives and implementing a corporate sustainability strategy (Brunner, 2007). Whereas Kerr and Slocum (1981) and Daft and Macintosh (1984) advocate for the power in informal control systems, we find it difficult not to challenge whether the

postponer's behavior will cause unnecessary harm to implement ESG. Nevertheless, the consciousness to integrate sustainability in everyday speech is based on the acknowledgement that sustainability lacks relevance on a corporate level. They clearly explain their belief in doing their job in a proper way that will create current values without being at the expense of future generations. Moreover, they openly bear a positive attitude toward a sustainable corporation with a high degree of motivation. Their arguments are based on personal values and intrinsic beliefs of doing the right thing. Intrinsic motivation and positive attitude among employees are proved to be key factors for managers that seek to implement ESG and direct individuals to the desired behavior (Costas & Karreman, 2013). We find such statements, therefore, indeed positive with the aim to implement ESG in Agder Energi AS. On the other hand, the interviewees catch sight of the quest to concretize the term within Agder Energi AS. Even though postponers are averse to adopting the term sustainability, the evidence shows nothing else but employees that believe in the *content* of sustainability. Therefore, it can be argued that the postponers work as catalysts and push the company to make sustainability a relatable notion. Regardless of the outcome, it is important to highlight that neither of the interviewees criticize the efforts of those who genuinely try to make the world sustainable, rather that we question the illusion of uncritical reflection.

Our findings surely indicate that Agder Energi AS should divert attention away from a theoretical point of view and pay attention to a practical meaning. In that manner, the interviewees put fingers on lack of knowledge and call for competence development within the company. This alludes to a critical point in our thesis. In consonance with Brunner (2007) and Gond et al. (2012), employee knowledge is clearly one of the key factors toward a successful implementation of a corporate sustainability strategy. Particularly, the interviewees shed light on the missing link between *how* Agder Energi AS works toward sustainability and *why* they are doing so. Agder Energi AS plays an active role in communicating how they contribute to sustainable development. To that degree, interviewees state that the company communicates stories of success and solid achievements without exception. Yet, we question the necessity of not causing any harm or conflicts aiming to be excellent in each of the three elements in TBL (Epstein & Buhovac, 2010). With the ambition to concretize sustainability into a relatable notion, we take a critical stance of whether their stories mirror the actuality. Findings indicate that stories of success foster motivation and inspire employees to keep up the good work. Nevertheless, we find it reasonable to challenge the communication strategy as of today as additional data reveal that some of the employees



don't find stories of success appealing. Hence, we argue that communicating favorable stories alone will cause an edited image of the company. Consequently, we believe it can amplify the gap between the theoretical and corporate meaning. Several interviewees support this assumption and call for more transparency in the company's communication strategy. Interviewee 4 explicitly states that adversity is what promotes motivation on a personal level. That way, stories other than triumphs can be applied to promote the importance of sustainable practices on a daily basis rather than just communicating extraordinary achievements. We find it, therefore, reasonable to believe that featuring additional challenges will foster intrinsic motivation and shed light on the fact that each individual matters. In alignment with Widener (2007), we argue for a feedback system that is transparent and designed to motivate all of the employees, not only those who are inspired by success. It is noteworthy to mention that we find no evidence that Agder Energi AS should stop calling attention to triumph stories while it surely motivates some of the employees. Yet, with the aim to make stories of sustainability relatable, a suggestion is to put fingers on how these triumph stories are tied to specific SDGs. This is also mentioned by interviewee 10. While the employees in Agder Energi AS are commonly known with the theoretical aspect of sustainability in relation to the SDGs, we believe that a direct link between the stories and the company's chosen SDGs will lead to an increased understanding of what sustainability means for Agder Energi AS. In accordance with Han et al. (2010), it is reasonable to believe that additional focus on shared stories and knowledge will enhance psychological ownership among employees. Based on our findings, we argue that a transparent sharing of stories will evoke an understanding of *why* each and one are important contributors to sustainable development. In line with Chang and Hung's (2021) arguments, who state that psychological ownership is deemed to be essential aiming to incorporate ESG, we surely suggest that Agder Energi AS should communicate both successful achievements but also challenges along their way.

#### **6.1.4. Main Findings from The Concept of Sustainability**

Based on the previous discussions, this subsection seems appropriate to draw a line between our main findings from chapter 6.1. aiming to answer our research question: "*How does management control systems affect the implementation process of ESG?*".

While Agder Energi AS integrated seven out of the 17 SDGs in 2019, additional focus directed toward corporate sustainability has been acknowledged in the company. Specifically, our discussion in chapter 6.1.1. and chapter 6.1.2. put fingers on the importance of direct

attention to what Agder Energi AS yields as important. Striving to successfully implement ESG throughout the entire company, managers in Agder Energi AS must communicate to each and one in the company that operations amplifying ESG measures should be prioritized. Without a leader's recognition, lack of focus seems to be the reality in Agder Energi AS. This brings us to our main finding in chapter 6.1.3. While employees are motivated and bear a positive attitude of sustainability, there seems to be a gap between the theoretical and practical knowledge of sustainability. We find it, therefore, reasonable to conclude that in order to successfully implement ESG, there is a need for competence development. Employees must increase a common knowledge on several dimensions; that is, *what* sustainability means for Agder Energi AS, *how* their daily operations contribute to sustainable development, and *why* they should commit to sustainable practices on an individual level. The latter part of competence development alludes to the focal point in this chapter that summarizes chapter 6.1. While Agder Energi AS already are doing great things toward a green transition, we find it reasonable to state that lack of ownership may hinder a successful implementation of ESG. Based on the previous discussions, our findings indicate that a more transparent communication may turn into pride rather than discouragement. Not least, transparency can also cultivate a common understanding of why each and one in Agder Energi AS should take an active role contributing to corporate sustainability and, thus, create a psychological ownership.

## **6.2. Management Control Systems**

The following discussion bears points in factors such as communication, competence development, leadership, and sustainable KPIs. Investigating how Agder Energi AS apply formal and informal controls is essential seeking to understand how they affect the implementation process of ESG.

### **6.2.1. Discussion of Finding 4: Communication**

*How does communication affect the implementation of ESG in Agder Energi AS?*

Communication is, according to literature, an essential tool for managers to optimize MCSs. Although Agder Energi AS has been working with sustainable practices for several years, the interviewees state it is just until recently the company has direct focus on communicating how they contribute to the green transition. This finding is not entirely surprising due to the

reality of which Eccles and Klimenko (2019) explain as external forces that want to measure a company's achievements. We find, therefore, a good communication strategy in Agder Energi AS essential to maintain its relevance in an open market. A noteworthy observation considering the latter presumption is how most of the interviewees acknowledge the power in communication in order to bear extra attention to a topic. Especially, the interviewees agreed upon the need for regular communication instead of occasional inputs. These reflections are in alignment with Simons (1996) who specifically argue for continuous feedback and communication in competitive markets. Moreover, communication is also in particular supported by Lueg and Radlach (2016) to achieve organizational integration. This is, therefore, deemed important to achieving a sustainable corporation.

A particular communication strategy the company handles, in order to constantly remind employees of their shared sustainable values and beliefs, is through tangible symbols. The strategy to visualize the company's chosen SDGs and highlight sustainable achievements is, in accordance with Schein (1997), an efficient way to attempt to control behavior. It clearly indicates what the company values but also how they will contribute to the future transition. Not to mention, signs and video clips are low-costs communication strategies that are user-friendly for both internal employees and external visitors and clients. Despite the difficulty to develop an in-depth knowledge through these kinds of symbols, they are surely efficient tools that easily lay a common ground of what sustainability means in Agder Energi AS. In that matter, visual SDGs and video clips enhance a culture of sustainability. A supportive culture is, according to authors such as Brunner (2007) and Nathan (2010), one of the four key factors to bridge the gap between a corporate strategy and the implementation of sustainability. The interviewees speak engagingly about their achievements and SDGs using visual diplomas and symbols, which makes it odd not to support the criticism of the LoC framework by Collier (2005) and Ditillo (2004) who argue for the essential to apply both formal and informal controls.

Another tool that is currently used to communicate sustainability is through the company's intranet. In spite of authors such as Corsi et al. (2017) who support digital platforms to increase employee knowledge, we find it difficult to apply these arguments in relation to sustainability because of its complexity. While we believe Workplace can be used as an efficient tool to encourage more collaboration across subsidiaries, highlight social events, and strengthen the corporate culture, we find lack of evidence that supports the encouragement

for competence development. Our arguments build on findings that reveal how the platform is overloaded with information, and consequently, it is random who reviews the content. To that matter, our findings support theory from Simons (1995) who shed light on interactive communication. Additional discussion of how interactive learning contributes to a common understanding of sustainability will be discussed in chapter 6.2.2. Despite our question of whether or not Workplace contributes to in-depth knowledge, we bear a positive attitude to apply Workplace in other contexts as some of the interviewees prefer this approach. In alignment with Corsi et al., (2017), the intranet is particularly efficient for communication flow among people to share short video clips and documents. This establishes reasons to believe that Workplace can raise employee awareness. Instead of applying Workplace to develop in-depth knowledge, we should not underestimate the value of internal websites as much as it can post regular content and put sustainability top of mind. We should neither belittle the potential in one-way, multicast content to centralize Agder Energi AS. This is in accordance with Gond et al. (2012) who demonstrate the importance of having a common practice across subsidiaries to achieve organizational integration. Workplace can, therefore, respond to our quest of a more fluid communication across the subsidiaries and increase the chances of a successful implementation. If the company exploits the benefits, Workplace can be a unique platform to encourage collaboration, open dialogues and discussions.

While we take a critical stance to Workplace as a single platform that contributes to in-depth competence, we argue for a hybrid solution of Workplace and a physical arena that supports interactive learning. This argument is supported by De Haas and Kleingeld (1999). They claim that a culture that encourages debate and information exchange can foster competence development through interactive learning. This point of view is also in parallel with Ditillo (2004), in which the theory clarifies the intertwined concept of informal and formal controls. Hence, there are reasons to believe that a knowledge sharing arena where employees physically meet, from different hierarchical levels and across subsidiaries, can elevate the general competence and a common understanding of sustainability. Also, Lueg and Radlach (2016) agrees that communication and engagement from both managers and employees are essential to integrate sustainability into the corporate culture.

### **6.2.2. Discussion of Finding 5: Sustainable Competence Development**

*How does sustainable competence development affect the implementation of ESG in Agder Energi AS?*

As discussed in chapter 6.1., we call for a need in sustainable competence development in Agder Energi AS as knowledge is a powerful tool to stimulate ownership. This subchapter will provide additional thoughts of how managers can act on these assumptions and, moreover, contribute to sustainable competence development in order to increase the company's chances to successfully implement ESG.

Since Agder Energi AS employed a senior advisor for sustainability in 2019, the attention directed toward sustainability has increased significantly. Not only did the company revise the SDGs, but they also created a forum with dedicated employees aiming to discuss opportunities and challenges related to corporate sustainability. Findings indicate that this approach has been fundamental to increase the basic knowledge among employees. It has worked as an arena that opens for sharing knowledge and perceptual experiences encompassing achievements but also difficulties and challenges. This is in alignment with Gond et al. (2012) who refer to this phenomenon as the cognitive dimension. Furthermore, the authors claim that a platform that facilitates discussions is essential to integrate sustainability in the corporate strategy. It is, therefore, reasonable to state that Agder Energi AS are on course. Nevertheless, Gond et al. (2012) claim that a higher level of cognitive dimension is beneficial in the implementation process. In that essence, we will once again point out the importance of transparency. While a myriad of theories put fingers on the difficulties to implement ESG, Agder Energi AS should take advantage of their already settled forum made explicitly for corporate sustainability. Whether or not Agder Energi AS exploit this forum as of today, we challenge the group of employees to bring up additional challenges and talk about future threats. This can also inspire further transparency in the company as discussed in chapter 6.1.3. The forum consists of employees from each of the subsidiaries in the company. In alignment with Ahrens and Chapman (2006) and Gond et al. (2012) is this structure beneficial, aiming to share common knowledge to the rest of the company. Specifically, they pinpoint the benefits of creating groups that encourage a defined set of employees to become specialists in sustainability. While the group plays the role as ambassadors of sustainability, a legitimate presumption based on theory is that the increased

attention of sustainability from 2019 is not a coincidence. Once the group has developed a common understanding of what sustainability means for Agder Energi AS, there is a greater chance it will permeate the entire company. We encourage, therefore, Agder Energi AS to maintain a forum for sustainability to positively affect the implementation of ESG.

While the interviewees request competence development in a habitual manner, we find it noteworthy to mention that the company has no educational programs that are directly tied to sustainability. To that degree, we take a critical stance and question if there is capacity to spend additional resources on educational training programs. Interview 9 asserts that there is no point trying to teach everyone in the company all there is about sustainability in as much as it is a complex phenomenon. Nevertheless, a common agreement among the interviewees is that employees should be able to answer questions such as “What does sustainability mean for Agder Energi AS?”. According to Gond and Herrbach (2006), interactive controls are beneficial as it permits organizational learning and changes. Several respondents emphasize their appetite for interactive learning. While the company supplies theoretical information to increase employee knowledge, numerous interviewees claim that interactive learning is preferable. Hands-on information is perceived as more efficient to increase knowledge as it stimulates subjective reflections and opens for discussions. This corresponds well with Simons (1995b) who recognizes interactive controls where employees are encouraged to play an active role where they share information and knowledge in teams. To that degree, Simons (1995b) elaborates with five conditions that must be fulfilled in order to make it work. Based on these, we believe that the fourth condition; that is, “*a control system must trigger revised action plans*”, is one of the greatest challenges the company must conquer. While the ambassadors of sustainability can facilitate understandable information and invite employees on multiple levels, the challenge to translate plan to action should not be underestimated. This is also in alignment with Gond et al. (2012) and Kotler (2001) who highlight the importance of organizational integration to endeavor a sustainable plan to a sustainable practice. While evidence shows that a forum of employees with knowledge sharing behavior results in beneficial outcomes, we have no other reasons but to suggest similar groups for the rest in Agder Energi AS. Even though the company has ambassadors that play the role of ambassadors, it points in the direction of creating arenas where employees from different subsidiaries and on different levels can discuss definite topics. To cope with challenges tied to resources, time constraints, and the complexity of sustainability, we suggest a forum that meets on a regular basis and develops employee competence within definite topics that cover

only the basics. Hence, it echoes suggestions from Ahrens and Chapman (2007) and Gond et al. (2012) to increase knowledge but also respond to our belief in transparency across subsidiaries to foster a sustainable culture.

### **6.2.3. Discussion of Finding 6: The Importance of Leadership**

*How does the leadership affect the implementation of ESG in Agder Energi AS?*

According to the interviewee, there are no uncertainties at what point of time Agder Energi AS brought sustainability on the agenda; that was, in 2019. In spite of their core operations being closely tied to sustainable practices, 2019 is obviously highlighted based on three core factors; that is, the revision of the SDGs, external forces, and the employment of Jan Atle Liodden, the senior advisor for sustainability. The latter point has without doubts been essential aiming for a sustainable corporation. In the wake of what the interviewees imply as a strategic and analytic point of view, findings indicate a raised awareness of sustainability in the company since his employment. This is in alignment with Lueg and Radlach (2016) who emphasize the value of a leader to integrate sustainability. Also Epstein and Roy (2001) and Brunner (2007) highlight the importance of leadership to successfully implement a sustainable strategy. Specifically, Epstein and Roy (2001) demonstrate the importance of translating corporate strategy into specific actions. This echoes the urgency of translating sustainability into a practical meaning within the company. The senior advisor of sustainability gained lots of kudos from each and one of the interviewees. Without an engaged leader that manages to motivate its co-workers, there are reasons to believe that the revision of SDGs and the external forces that push the company toward a green transition would have been without influence. Agder Energi AS took, therefore, an important step employing a person that bears all its attention to sustainable practices.

While the interviewees call for an accelerated focus on sustainability in recent years, findings show they also believe in a continued focus. It is tempting to challenge this expectation based on mainly two factors. Firstly, the revision of SDGs is still relatively new. This gives rise to the question of whether the inexperienced point of view makes the whole thing more exciting. Also, interviewees point to sustainability as something “trendy”. So, what will happen five or ten years from now? Is it likely that people still have the SDGs top of mind? Secondly, the company, and not to mention their competitive market, suffer from lack of maturity. There is, therefore, a lot of remaining work to do in order to stay up to date. New requirements and

expectations are currently forcing the company to take actions. However, is it possible that Agder Energi AS at some point in the near future will be due diligence without new requirements coming into force? And if so, what happens then; will they take further actions and exceed the minimum requirements or will they decelerate? In spite of our questions of whether or not the company will continue their focus on sustainability, there are good chances they will keep rolling. The foundation of these assumptions lies on the management team. The interviewees argue for a present top-down approach as much as the CEO in the company requests a sustainable corporation. Not least, the CEO looks for a company that is “best in class” which encourages managers on each hierarchical level to act. A top-down approach where the top manager has a positive attitude to sustainability seems, therefore, to motivate the interviewees in Agder Energi AS. This control system is in alignment with Kerr and Slocum (1981) who specifically argue for an increased responsiveness when a co-worker or team sets expectations. The importance of a manager's mindset is also supported by Brunner (2007).

The influence that a manager's mindset brings into court is priceless. Not only does it affect the employees to pivot their personal focus toward sustainability, it is also a key factor for the corporate mission, vision, and strategy. The company's mission statement clearly points out their goal of becoming a company that “*provides clean energy*” aiming for a “*sustainable society*”. Although a mission statement can be argued for being flossy and unreachable, it has surely laid the foundation of the employees' shared values as they positively argue for their sustainable contribution. Furthermore, Agder Energi AS openly states they will contribute to economic growth on sustainable conditions. Both mission and strategy statements are, according to Langfield-Smith (1997), important informal control systems that can help managers succeed implementing a new strategy.

#### **6.2.4. Discussion of Finding 7: Sustainable KPIs**

*How does KPIs affect the implementation of ESG in Agder Energi AS?*

In alignment with Lueg and Radlach (2016) and Langfield-Smith (1997), who demonstrate the benefits with formal control, a further investigation on the case company's application of KPIs were found essential to answer the research question. This presumption is also supported by Simons (1995b). He claims that diagnostic systems, such as KPIs, are essential control mechanisms when implementing strategies. Developing measures that monitor



employees can, therefore, be necessary for Agder Energi AS reaching for a sustainable corporation.

Findings present a coherent set of measures that altogether measure the phenomenon. Based on previous discussion, regarding the complexity of sustainability, is this finding not surprising. Despite the fact that Agder Energi AS has certain KPIs that measure elements within ESG, interviewee 3 brings up the importance of a continuous revision of the measurements. For instance, when the company revised their SDGs in 2019, a reasonable action would have been to revise the KPIs as well. This argument is supported by Malmi and Brown (2008) who calls for MCSs to direct employee behavior in order to reach the company's objectives. In that manner, observations have justified that Agder Energi AS are currently establishing sustainable KPIs. An essential part of ESG success is, however, that the company finds the right measures that correctly match the company's SDGs and corporate strategy. In particular, Boffo et al. (2020) calls for hazardous behavior in terms of limited scope with metrics, selection bias, and subjectivity. Thus, we took a critical stance observing how the team in Agder Energi AS established the new sustainable KPIs. Findings revealed that they brought an analytical point of view and founded their KPIs on the company's well-established materiality analysis. This is in accordance with Lakshan et al. (2021), and hence, Agder Energi AS demonstrates how they can avoid the pitfalls presented by Boffo et al. (2020) and, moreover, maintain an objective point of view. Additional support from Lai et al. (2017) gives reasons to believe that linking KPIs and materiality analysis can help Agder Energi AS to bridge the gap between strategy formulation and implementation. Nevertheless, we acknowledge that we must be critical to whether the materiality analysis is developed under the right circumstances. Agder Energi AS reveals that the materiality analysis was carried out in 2020, and could, therefore, lack relevance. Although they claim a judgment ensured that the analysis included the most relevant topics in 2021, we find it still questionable to establish new KPIs based on the materiality analysis alone. Due to wider economic impacts, such as Covid-19 and the current war in Ukraine, there are reasons to believe that the company's consideration may have changed since 2020. Based on this assumption, we suggest three criteria that must be fulfilled in order to use the materiality analysis as a foundation; that is, (1) the materiality analysis must be up to date, (2) established with an objective point of view, and (3) bring every aspect of relevance into account. If the company's materiality analysis fulfills the suggested criteria, we are positive to KPIs that will track the correct measures.

In line with the employees' quest for additional measures, evidence implicates that Agder Energi AS satisfactorily develops sustainable KPIs. The additional findings, from both observation and review of documents, clarifies the complexity of sustainable KPIs. It also proves that Agder Energi AS brings elements from environmental, social, and governance into account. While we have been critical to whether Agder Energi AS will manage to avoid certain pitfalls, we are also questioning whether the KPIs will support the operative goals and the corporate strategy. In accordance with Simons (1995b), who specifically claim that incorrect measures can result in dysfunctional side effects, Agder Energi AS must establish KPIs that are coherent with their corporate strategy and their chosen SDGs. If their settled KPIs track other things than their chosen SDGs, there are reasons to believe that the company's SDGs will not be prioritized. This argument is based on the idea that employees tend to direct focus on items that are measurable. Also, Widener (2007) argues for transparency between the company's diagnostic systems and the company's objectives to motivate employees. Findings show, however, that their KPIs are closely tied to the chosen SDGs. For instance, having a clear goal of reducing traveling emissions by 40 % will have a positive effect on SDG 13; that is, climate action. While it can result in additional costs or travel time to travel more sustainable, the employees know that they will be measured on this aspect and must take the consequences thereof. Another example is their KPIs on sick leave and job satisfaction. Such measurements are closely tied to SDG 8; decent work and economic growth. It is deemed important, by authors such as Costas and Kärreman (2013), that companies facilitate a social environment based on ethics and morality to bridge the gap between sustainability formulation and implementation. While Agder Energi AS have measures that focus on employee satisfaction, evidence supports the foundation for a sustainable culture. Finding suitable KPIs that support the company's strategy is also supported by Porter and Kramer (2006) who argue for an increased competitive advantage and shared values. For instance, while Agder Energi AS have measures that track their SF6 emissions, it will benefit both the community in terms of a proven environment and at the same time have a direct link to reach their strategy that can foster shared values. Also, having visible measures, such as electrifying a car fleet, support their strategy of taking an active role into a renewable future. Furthermore, visible measures can easily turn into positive side effects, like branding, pride and employee motivation. Based on our findings, it seems, therefore, that Agder Energi AS manage to tie their KPIs to other goals and strategies. Gond et al. (2012) presents an ideal integration, namely the integrated sustainability strategy. The

authors' arguments is to combine diagnostic and interactive systems. This is, thus, clearly mirrored in the company's approach of overlapping strategy and sustainability. Hence, the use of KPIs as a control system will positively affect the implementation of ESG.

Despite the benefits of KPIs, we need to raise the question of whether sustainable KPIs and measurements can initiate conflicting goals. As a consequence of lack of sustainable measures, interviewees state there has not been any conflicts up till now. Nevertheless, they clearly believe that once the company sets definite sustainable measurements, there is no doubt they will suffer from conflicting goals. Based on Gray and Milne (2002), who concludes that financial goals will always be prioritized at the expense of sustainable goals, we challenge the interviewees to reflect upon how the company can act proactively. Governing documents and clear mandate are the common understanding of what is required. This is equal to boundary control that is supported by Simons (1995b). Without controls that allow subjective reasoning under constraints, employees are concerned of corporate pitfalls in terms of prioritizing financial goals as stated in Gray and Milne (2002). This argument builds on the fact that Agder Energi AS is a profit maximization company. Establishing KPIs that monitor employees but at the same time opens for subjective reasoning under constraints seems, therefore, essential in our case to succeeding in implementing ESG. Findings show that Agder Energi AS are establishing governing documents to some of the KPIs. For instance, aiming to reduce the use of cement, it is clearly stated that sustainable choices are prioritized as long as the additional cost is less than 20 %. Hence, it reveals that Agder Energi AS is working to establish guidelines to reach the KPIs. At the same time, findings clearly show that only a few measurements have suitable guidelines. We are, therefore, challenging Agder Energi AS on behalf of the employee's request, to make additional governing documents. Such guidelines will prevent the pitfall of taking subjective reasoning into account and will, moreover, respond to Gray and Milne's (2002) argument.

### **6.2.5. Main Findings from Management Control Systems**

A summary of the main findings of management control systems is derived to put the final end to our research question “*How does management control systems affect the implementation process of ESG?*”.

An important factor to successfully implement ESG in Agder Energi AS is to communicate the importance of a sustainable corporation. Chapter 6.2.1. reflects upon the benefits from the company's visual symbols. It seems that they have managed to build a culture of sustainability. While informal controls can help managers succeed implementing ESG is this finding deemed essential. Furthermore, we argue for another communication platform to enhance in-depth knowledge. Neither tangible symbols, Workplace, or sustainability reports seem to be suitable for developing employee competence. Our discussion from chapter 6.2.1. and 6.2.2. challenge Agder Energi AS to apply interactive learning through discussions, teamwork, and personal reflections. This is supported by several authors to that degree it increases transparency and increases in-depth knowledge. This extends our arguments in chapter 6.1. for increased ownership and a common understanding of *why* individuals should contribute in the green transition. These are factors that, according to theory, positively affect the implementation process of ESG. We call for a basic but common knowledge across hierarchical levels and subsidiaries in as much as sustainability is a complex phenomenon. This argument builds on our belief that it is difficult and time consuming for employees to understand everything there is to know about sustainability. It is, however, important that managers at all stages bear a positive mind and take actions as discussed in chapter 6.2.3. Evidence shows that Agder Energi AS has a corporate culture, a leader, a strong management, and a corporate strategy that altogether supports sustainability. Agder Energi AS fulfills, therefore, all the four key factors towards a successful implementation of sustainability. While theory puts fingers on the importance of KPIs when implementing a strategy, the current establishment of sustainable KPIs may, therefore, be critical. We strongly encourage Agder Energi AS to thoroughly reflect upon the chosen KPIs. The measures are essential controls to motivate employees. As discussed in chapter 6.2.4., sustainable KPIs also reveal conflicting goals. While theory states that the financial goals will always win, we argue for governing documents as a control system to cope with challenging decisions. Despite our criticism and questions to improve the implementation process, we find no evidence that clearly indicates an expected failure.

## **7. CONTRIBUTION AND FURTHER RESEARCH**

This study has investigated how a company has applied MCSs to implement ESG. This chapter is prepared with the aim to contribute to a better understanding of the complex interplay between MCSs and sustainability. Furthermore, suggestions for further research in this field will be presented.

Our findings support the theory presented by Gond et al. (2012), calling for organizational integration and cognitive dimension to incorporate sustainability. In particular, data reveals that employees in Agder Energi AS quest for competence development through interactive learning. We have, thus, learned that open dialogue and regular discussion across subsidiaries and hierarchical levels can foster a culture based on transparency. Based on literature review and in-depth interviews, transparency is believed to build a sustainable culture. This study has, also, shed light on the importance of tangible symbols and sustainable KPIs. We have, thus, experienced that a combination of formal and informal controls is deemed important to direct attention on sustainability every day. In subject to our findings and experiences, we believe that this study will provide valuable data seeking to expand the current literature in this field. Furthermore, disclosing risks and opportunities in Agder Energi AS might provide valuable insight to other companies that will implement ESG in the future.

We opted for a single case study in response to Jørgensen and Pedersen (2018) request for more case studies considering implementation of ESG. Due to the difficulties to generalize case studies, a great opportunity for further research is to investigate similar cases. Additionally, Agder Energi AS is a company that is currently implementing ESG. A suggestion for future research is, therefore, to study a case company at a previous stage to explore possible challenges and opportunities. In a similar manner, it would have been interesting to investigate a case company that has already implemented ESG. In particular, exploring the chosen measurements, KPIs, leadership, corporate culture, or communication strategies in-depth. Our findings suggest competence development through interactive learning. Additional research on Agder Energi AS, 2-3 years from now, exploring how they have coped with the lack of knowledge would have gained interesting input. Especially due to our recommendations that are based on Simons' (1995) interactive approach and the employees' requests. Further research on Agder Energi AS at a later stage could also have

been interesting aiming to see how their sustainable KPIs are motivating employees to take actions.

Another avenue for further research is to prepare a quantitative study of companies that have implemented ESG and investigated how the different companies have applied MCSs. A collection of comparable data could contribute to Engert and Baumgartner's (2015) request for concrete steps to implement ESG. A multiple case study with similar intention could have provided additional value to the same request. This seems valuable for companies like Agder Energi AS that is currently implementing ESG. Moreover, a multiple case study of companies in the hydropower industry is another approach we recommend. Based on findings from our study, it could have given interesting insight to explore which MCSs different companies emphasize. Likewise, comparing data from Agder Energi AS with other companies operating in various industries could also open for valuable findings aiming to respond to Gond et al. (2012) and Guldbrandsen et al., (2015) demands of investigating opportunities within MCSs.

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# Vil du delta i forskningsprosjektet

## *“Implementing ESG Through Management Control Systems”*

**Dette er et spørsmål til deg om å delta i et forskningsprosjekt hvor formålet er å undersøke hvordan en bedrifts styrings- og kontrollsystemer blir brukt som verktøy for å implementere ESG. I dette skrivet gir vi deg informasjon om målene for prosjektet og hva deltakelse vil innebære for deg.**

### **Formål**

Næringslivet står overfor et stort press fra interne og eksterne aktører til å svare på hvordan og på hvilken måte de bidrar til en bærekraftig utvikling i dagens samfunn. I forbindelse med dette ønsker vi å undersøke hvordan bærekraft (her def. som ESG) implementeres i en bedrift. Gjennom denne masteroppgaven har vi som formål å undersøke og identifisere ulike kontroll- og styringsverktøy for å lykkes i implementeringsprosessen. Vi vil bruke teoretiske rammeverk som forskningsgrunnlag, og analysere og sammenligne bedriftens tilnærming ved bruk av disse. For å undersøke problemstillingen nærmere, er det ønskelig å høre deres oppfatning om hvordan ESG skal bli en del av en deres fremtidige drift. Hvordan dere skal forankre ESG i bedriftens strategi, samt hvilke utfordringer og muligheter som oppstår i møte med bærekraftsarbeidet er sentrale temaer vi ønsker å belyse. Vi håper å gjennomføre et kvalitativt intervju som vil vare i ca. 45-60 minutter. Det er ønskelig å gjennomføre intervjuene fortløpende. Dersom det er ønskelig å motta utredningen ved ferdigstilling, kan dere ta kontakt på e-post. Eventuelle spørsmål henvendes til undertegnede.

### **Hvem er ansvarlig for forskningsprosjektet?**

Handelshøyskolen ved Universitetet i Agder er ansvarlig for prosjektet. Førsteamanuensis Rafael Heinzelmann bistår med veiledning av prosjektet.

### **Hvorfor får du spørsmål om å delta?**

Vi ønsker å undersøke hvordan en bedrift bruker styrings- og kontrollsystemer som verktøy ved implementering av ESG. Utvalget er basert på den ansattes rolle og engasjement innenfor bedriftens bærekraftsarbeid. Forespørselen sendes ut til ca. 10 ansatte som jobber i ulike selskaper i Agder Energi. Følgelig for å gi et godt overblikk over bærekraftsarbeidet i bedriften som helhet.

Hva innebærer det for deg å delta?

Dersom du ønsker å delta i forskningsprosjektet, innebærer det at du stiller til et intervju med varighet på ca. 45-60 minutter. Basert på dagens situasjon, kan intervjuet gjennomføres både digitalt og fysisk. Dersom du foretrekker digitalt intervju, foregår dette over Zoom/Teams. Det vil bli gjort lydopptak via en ekstern lydopptaker som tilhører UiA. Dette er en sikker løsning for datainnsamling, og brukes for at vi på et senere tidspunkt skal kunne transkribere og analysere materialet nøyaktig. Dersom du mot formodning ikke ønsker å bli tatt opp på lydopptak, er dette helt i orden.

Spørsmål som er inkludert i intervjuet er eksempelvis:

- *Hva er din forståelse av begrepet bærekraft?*
- *Hvordan belønnes oppnåelse av bærekraftsmål sammenlignet med andre finansielle og ikke-finansielle mål?*

### **Det er frivillig å delta**

Det er frivillig å delta i prosjektet. Hvis du velger å delta, kan du når som helst trekke samtykket tilbake uten å oppgi noen grunn. Alle dine personopplysninger vil da bli slettet. Det vil ikke ha noen negative konsekvenser for deg hvis du ikke vil delta eller senere velger å trekke deg.

### **Ditt personvern – hvordan vi oppbevarer og bruker dine opplysninger**

Vi vil bare bruke opplysningene om deg til formålene vi har fortalt om i dette skrivet. Vi behandler opplysningene konfidensielt og i samsvar med personvernregelverket. Det er kun prosjektets forfattere som vil ha tilgang til dine opplysninger. Dette sikres ved bruk av en ekstern og sikker lydopptaker.

### **Hva skjer med opplysningene dine når vi avslutter forskningsprosjektet?**

Opplysningene anonymiseres når prosjektet avsluttes/oppgaven er godkjent, noe som etter planen er 01.06.2022. Ved prosjektet sluttdato vil opplysningene fra lydopptakeren slettes umiddelbart.

### **Dine rettigheter**

Så lenge du kan identifiseres i datamaterialet, har du rett til:

- innsyn i hvilke personopplysninger som er registrert om deg, og å få utlevert en kopi av opplysningene,
- å få rettet personopplysninger om deg,
- å få slettet personopplysninger om deg, og
- å sende klage til Datatilsynet om behandlingen av dine personopplysninger.

### **Hva gir oss rett til å behandle personopplysninger om deg?**

Vi behandler opplysninger om deg basert på ditt samtykke. På oppdrag fra Universitetet i Agder har NSD – Norsk senter for forskningsdata AS vurdert at behandlingen av personopplysninger i dette prosjektet er i samsvar med personvernregelverket.

### **Hvor kan jeg finne ut mer?**

Hvis du har spørsmål til studien, eller ønsker å benytte deg av dine rettigheter, ta kontakt med:

Thea Tufte Larsen (938 81 487), Hans Erik Strifeldt (928 68 170) eller vår veileder Rafael Heinzelmann (381 42 039). Personvernombud ved UiA kan kontaktes på [personvernombud@uia.no](mailto:personvernombud@uia.no).

Hvis du har spørsmål knyttet til NSD sin vurdering av prosjektet, kan du ta kontakt med:

- NSD – Norsk senter for forskningsdata AS på epost ([personverntjenester@nsd.no](mailto:personverntjenester@nsd.no)) eller på telefon: 55 58 21 17.

Med vennlig hilsen

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## Samtykkeerklæring

Jeg har mottatt og forstått informasjon om prosjektet *Implementing ESG Through Management Control Systems*, og har fått anledning til å stille spørsmål. Jeg samtykker til:

å delta i et intervju

Jeg samtykker til at mine opplysninger behandles frem til prosjektet er avsluttet

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(Signert av prosjektdeltaker, dato)

## APPENDIX 2: Interview Guide (Norwegian)

SPØRSMÅL	OPPFØLGINGSPØRSMÅL
<b>(00:05) Oppvarming</b>	
Introduksjon av intervjuer	Navn, alder, bosted, utdanning Oppsummering av tema for masteren
Introduksjon av intervjuobjekt	Hva er din posisjon og ansvarsoppgave i Agder Energi? Hvor lenge har du jobbet i Agder Energi? Hvorfor ønsket du å starte i Agder Energi? Hvorfor trives du i jobben i Agder Energi? Arbeidsoppgaver, kollegaer og kultur?
<b>(00:10) Agder Energi som en bærekraftig organisasjon</b>	
Fortell oss hvordan din begrepsforståelse er til begrepet <i>bærekraft</i>	Hva er din forståelse av begrepet bærekraft? Hvordan definerer selskapet begrepet bærekraft? Hvordan blir forholdene mellom E, S og G vektlagt i dagens arbeid? Hvordan er bærekraft forankret i bedriftens strategi og visjon?
Fortell oss hvordan Agder Energi har forandret fokus mot en bærekraftig organisasjon	Når tenker du at bærekraft ble satt på agendaen i selskapet? Hvordan har fokuset endret seg over tid? Hvordan har utviklingen vært (rask/treg)?
Fortell oss om ditt forhold til klimarisiko  (FN's Bærekraftsmål, GRI, TCFD, FN's Global Compact, Science Based Targets initiative)	Hvordan har dine daglige arbeidsoppgaver blitt påvirket av bærekraft? F.eks. FN's bærekraftsmål, retningslinjer, forskrifter,, rapportering, rammeverk, kommunikasjon
<b>(00:20) Bruk av kontroll- og styringsverktøy ved implementering av ESG i Agder Energi</b>	
Fortell oss hvordan kontroll- og styringsverktøy blir brukt for å implementere ESG	Hvordan skal ansatte få økt eierskap til en bærekraftig drift? F.eks. økt kompetanse, motivasjonsfaktorer, kultur, insentiver

	<p>Hvordan jobber dere for å øke de ansattes kunnskap rundt bærekraftig drift?</p> <p>Hvordan prioriteres bærekraftsarbeid i forhold til annet arbeid i dagens drift?</p> <p>Hvordan skal dere legge til rette for at fokuset rundt bærekraft økes (ytterligere)?</p> <p>Hva slags måleenheter blir dere vurdert på?</p> <p>Hvilke KPIér er sentrale for dere?</p> <p>Hvordan blir KPIér og andre mål brukt for å guide deg og ansatte mot ønsket atferd?</p> <p>Hvordan belønnes oppnåelse av bærekraftsmålene sammenlignet med andre finansielle og ikke-finansielle mål?</p> <p>F.eks. ved bruk av bonusordninger</p> <p>Hvordan skal dere bygge en "bærekraftskultur"?</p> <p>Bl.a. fremme felles kompetanse/grunnplaner</p>
Fortell oss hvordan strategien for å implementere ESG i økonomifunksjonen har blitt kommunisert	<p>Hvordan kommuniseres bærekraftsmål i selskapet?</p> <p>Hvordan kommuniseres arbeidet tilknyttet implementering av bærekraft i selskapet?</p> <p>Hvordan kommuniseres bærekraft på tvers av selskapene?</p> <p>Hvordan bidrar kommunikasjon til at bærekraft blir implementert i hele bedriften? ("Hel ved prinsippet")</p> <p>Hvordan er rollefordeling tydeliggjort og fordelt for å unngå overlappende arbeid?</p>
<b>(00:45) utfordringer og muligheter knyttet til implementeringsprosessen av ESG</b>	
Fortell oss om potensielle utfordringer knyttet til bærekraft	<p>Har selskapet møtt på utfordringer knyttet til bærekraftsarbeid?</p> <p>Hvordan legger dere til rette for å møte fremtidige regler og rammeverk? F.eks. EU's taksonomi, GRI, osv.</p> <p>Hva er de potensielle utfordringene knyttet til implementering av bærekraft fremover?</p> <p>Hvordan kan din rolle bidra til å løse potensielle utfordringer?</p> <p>Hvordan kan din rolle bidra til en vellykket implementering av bærekraft?</p>
Fortell oss ansattes holdninger til bærekraftsarbeid	<p>Hva er den generelle holdningen knyttet til bærekraftsarbeid i selskapet?</p> <p>F.eks. ekstraarbeid, ekstra kostnader, prioritering.</p>
Fortell oss om potensielle målkonflikter	<p>Har dere utfordringer knyttet til målkonflikt mellom bærekraftsmål og finansielle mål?</p> <p>Hvordan kommuniseres ønskelige prioriteringer?</p>
<b>(00:55) Sluttkommentar</b>	
Har du noen siste kommentarer til implementeringsprosessen av bærekraft så langt?	

Er det noen andre elementer fra dette intervjuet du ønsker å utdype eller legge til?	
Har du noen spørsmål til oss?	

### APPENDIX 3: Decision Criteria for KPIs

Grupper	Kriterium-gruppe (fra vesentlighets-analysen)	Kravområde / KPI	Krav	Tidsperiode	Gradering (1:absoluttkrav 5:Når det er formålstjenlig)	Vesentlighetsvurdering	Bruk
1	Klimagassutslipp (-50%/(2030))	Sf6. Fases ut mot 0% innslag i anleggsparken.	0%	2030	1	Absoluttkrav. Stor betydning, mulig å gjøre noe med.	Tas inn som vurdering i utbyggingsprosjekter, i reinvesteringer og oppgraderinger av ulike anlegg.
1	Klimagassutslipp (-50%/(2030))	Fornybarandel Varme. 99% andel.	99%	2022-2030, snitt	2	Strengt krav. Sikre mål ved tiltak. Snittvurdering over perioder som følge av naturlig variasjon	Varme og Bioanlegg
1	Klimagassutslipp (-50%/(2030))	Utslipp fra reiser	-40%	2022, gradvis tillempning	3	Rimelig krav. Velges når det ikke medfører for stor merkostnad. Velge klimavennlige reiser når det er mulig.	Når det bookes reiser via reiseportal eller velges transport til og fra møter/samlinger og tilsv.
1	Klimagassutslipp (-50%/(2030))	Elektrifisering Bilpark	-40%	2030	2	Strengt krav. Sikre mål ved tiltak.	Bilpark, både eiet og leaset.
1	Klimagassutslipp (-50%/(2030))	Sementbruk i byggevirksohmet	(-50%)	2030	3	Rimelig krav. Vurdere tiltak i leverandørkjeden. Velges når det ikke medfører for stor merkostnad (<20% merkostnad)	Tiltak og oppfølging mot leverandørkjeden.
1	Klimagassutslipp (-50%/(2030))	Stål i byggevirksohmet (gjenvunnet, mengde, etc)	tbd	2030	3	Rimelig krav. Vurdere tiltak i leverandørkjeden. Velges når det ikke medfører for stor merkostnad (<20% merkostnad)	Tiltak og oppfølging mot leverandørkjeden.
2	Mangfold og likestilling	Kvinneandel	35%	2030	2	Strengt krav, sikres gjennom tiltak	Tas inn i forr. planer, tiltak i HR/rekruttering, m.m.
2	Mangfold og likestilling	Kvinner i lederposisjoner	33%	2030	2	Strengt krav, sikres gjennom tiltak	Tas inn i forr. planer, tiltak i HR/rekruttering, m.m.
2	Mangfold og likestilling	Snittalder	45år	2030	3	Rimelig, må se på tvers av konsern. Vurdere ifht stillingskategori og tilgang på kompetanse.	Tas inn i HR strategi, forr. planer og rekruttering
2	Mangfold og likestilling	Likestillingsmål per selskap	100%	2022	1	Gjennomføres i målprosess.	Kreves en evaluering av hva som er mulig per selskap, samt at dette må vurderes opp mot
2	Mangfold og likestilling	Minimum 2 kvinner i ledergrupper	100%	2023/2024	2	Strengt krav. Sikre mål ved tiltak.	Fremmes gjennom målprosess, og tas inn i rekruttering og planleggingen for målperioden.
2	Mangfold og likestilling	Arbeidstrening, min. 1 pers per BA	100%	2023	2	Strengt krav. Sikre mål ved tiltak. Vurdere i målprosess om det er gjennomførbart i alle BA, evt om noen kan ha flere, slik at snitt blir OK på konsern.	Tas inn i forr. planer, tiltak i HR/rekruttering, m.m.
3	Antikorupsjon og menneskerettigheter	Ingen tilfeller av korrupsjon - nulltoleranse	0/(100%)	2023	1	Absoluttkrav. Stor betydning, mulig å gjøre noe med.	Etikk og compliance må ha oversikt over dette.
3	Antikorupsjon og menneskerettigheter	Ingen tilfeller av brudd på menneskerettigheter i leverandørkjeden	0/(100%)	2023	1	Absoluttkrav. Stor betydning, mulig å gjøre noe med.	Innkjøp ta dette inn som screening-kriterie i innkjøpsprosesser, samt i HMS rapporteringskravene.
4	Brudd på lover og regler	Overholdelse av lover og regler	0 hendelser	2022	1	0-toleranse	Oppfølging av Compliance ansvarlig
4	Brudd på lover og regler	Brudd på interne retningslinjer, etc.	tbd	2023	2	Strengt krav -	Få frem data fra interrevusjonen
3-4	Antikorupsjon, menneskerettigheter og brudd på lover og regler	Samle KPI på hendelsesbasert rapportering	Antall hendelser	2023	1	Strengt.	Må finne et målvis.
5	Miljøpåvirkning, biodiversitet	Påvirkning fra underleverandører	tbd	2023	2	Strengt krav. Sikre mål ved tiltak.	Innkjøpsprosess, leverandøroppfølging
5	Miljøpåvirkning, biodiversitet	Naturmangfoldsvurdering av byggeprosjekter	tbd	2023	2	Strengt krav. Sikre mål ved tiltak.	Prosjektleder/-eiere og prosjektarbeidet
5	Miljøpåvirkning, biodiversitet	Byglandsford bleka	tbd	2023	2	Strengt krav. Sikre mål ved tiltak.	Prosjektleder/-eiere og prosjektarbeidet
5	Miljøpåvirkning, biodiversitet	Overholdelse av kjørsreglement i VK, mindre	<5år	2023	2	Strengt krav. Antall brudd er de med mindre alvorlighetsgrad.	VK oppfølging i drift
5	Miljøpåvirkning, biodiversitet	Overholdelse av kjørsreglement i VK, etc.	<1år	2023	2	Strengt krav. Antall brudd er de med mindre alvorlighetsgrad.	VK oppfølging i drift
5	Miljøpåvirkning, biodiversitet	Utslipp/uønskede hendelser	0	2022	1	0-toleranse	Sjekk med Bård evt Nett/VK kontrollere..
5	Miljøpåvirkning, biodiversitet	95% av ansk. verdi fra leverandører som er Miljøfyrtårn	>95%	2023/2024	3	Vurdere ifht innkjøpskategori, etc.	
6	Påvirkning på lokalsamfunn	Grønne investeringer som øker verdien av egen virksomhet	tbd	2030	5	Ønskelig å ta slike posisjoner	
6	Påvirkning på lokalsamfunn	Grønn næringsutvikling og utvikle grønne arbeidsplasser	tbd	2030	4	Følger investeringer.	
6	Påvirkning på lokalsamfunn	Sponsing	tbd	2022	5	Forretningsmessighet og omdømme. Vurdere type sponsing.	
6	Påvirkning på lokalsamfunn	Skole og ULA samarbeid	tbd	2022	5		
7	Attraktiv og utviklende arbeidsplass	Innovasjon	tbd	2022	3	Krav om å opprettholde innovasjonsaktivitetene. Må ses på tvers av konsernet	
7	Attraktiv og utviklende arbeidsplass	Kompetanseheving-aktiviteter	tbd	2022	3	Vurdere rimelighet og hensiktsmessighet. Varierer fra on the job training til mer eksterne	
7	Attraktiv og utviklende arbeidsplass	Tivselmåling	tbd	2022	2	Strengt krav. Sikre mål ved tiltak.	
7	Attraktiv og utviklende arbeidsplass	Sykefravær	3%	2022	2	Strengt krav. Sikre mål ved tiltak.	Tas i HM rapp i intern rapportering kvartalsvis, men inkl i ekstern rapportering
7	Attraktiv og utviklende arbeidsplass	H2 verdier	0%	2022	2	Strengt krav. Sikre mål ved tiltak.	Tas i HM rapp i intern rapportering kvartalsvis, men inkl i ekstern rapportering
7	Attraktiv og utviklende arbeidsplass	Lederkvalitet, score i medarb. Undersøkelsen.	>7	2023	2	Strengt krav. Sikre mål ved tiltak.	
7	Attraktiv og utviklende arbeidsplass	Andel helseansatte (av fast ansatte)	>97%	2023	3	Vurdere på ulike avdelinger hvordan dette kan gjennomføres. Se an helheten på tvers.	
7	Attraktiv og utviklende arbeidsplass	Traineer årlig i AE totalt (12 stk)	12 (100%)	2022	3	Sikre mål ved tiltak. Telle opp antall for konsernet totalt	Telle opp manuell (Oversikt via Kirsti evt). Telle antall 6mnd perioder vi har hatt inne.



## **APPENDIX 4: Individual discussion paper Thea Tufte Larsen**

### **Discussion Paper**

This reflection paper is part of the guidelines for writing a master's thesis at the School of Business and Law, University of Agder. First, a presentation of the thesis will be provided. A discussion of how our thesis corresponds to the concept “International” will be thoroughly reviewed in line with relevant trends and forces. An overview of the main points will be outlined in the final summary.

### **Presentation of the Thesis**

Recently, managers have acknowledged the importance of pivoting business as usual to sustainable corporations to tackle environmental changes worldwide (Mauer et al., 2019, pp. 319-321). Despite the acknowledgements, there are still significant challenges and disagreements of how managers should interpret sustainability into corporate structures and day-to-day operations (Brandle et al., 2017, p. 228; Epstein & Buhovac, 2010, p. 306). To cope with these challenges, scholars have started to shed light on management control systems (i.e. MCSs) as efficient tools (Gond et al., 2012, p. 206; Schaltegger, 2011, p. 25; Pedersen & Jørgensen, 2018, p. 155). Studies of corporate sustainability and sustainable development have gained significant momentum in line with the increased focus on sustainability in businesses and societies (Ludwig & Sassen, 2021, p. 2, Camilleri, 2017, p. 60). Additionally, there are empirical studies and a broad consensus of theories including frameworks and appropriate use of MCSs (Taxler et al., 2020, p. 1). However, there is still a missing link between the use of MCSs and implementing sustainability strategies (Taxler et al., 2020, p. 1; Maas et al., 2016, p. 1). While corporate strategies tend to focus on profit maximization, Epstein and Buhovac (2010, p. 306) highlight that implementing sustainability strategies may embrace challenges due to the interrelated aspects of profit, society and environment. Hence, implementing sustainability strategies are more complex than implementing traditional strategies (Epstein & Buhovac, 2010, p. 306). As every corporation is different to another, scholars argue that there is no such thing as “one size fits all” when implementing sustainability strategies. Another factor that makes it difficult for managers to implement sustainability strategies is that there is no single definition of the term sustainability (Purvis et al., 2019, p. 681). This makes it difficult for managers as the definition can refer to “all or nothing”. To combat the difficulties of implementing sustainability in corporations, Engert and Baumgartner (2016) calls for more empirical

research in the field. Klettner et al. (2014) echo this point of view and claim that additional case studies of implementing sustainability through MCSs could make a valuable contribution to the field.

Following Engert and Baumgartner (2016) and Klettner et al. (2014) arguments, our thesis aims to provide additional research on implementing corporate sustainability through MCSs. Moreover, Yin (2018, p. 33) emphasizes the relevance of case studies when the research question requires an extensive, contextualized and in-depth description. Based on our research question, a case study of Agder Energi AS has been contrived. Hence, a qualitative case study of Agder Energi AS will provide us with a contextual understanding of how certain managers are using MCSs pushing towards a green future. Typically, case studies tend to use a variety of evidence from different sources to increase the validity and reliability (Rowley, 2002, p. 2). This is commonly known as *methodological triangulation* (Denzin, 1978; Patton, 1999). In our thesis, a methodological triangulation of primary and secondary data was collected from sources such as document review, qualitative interviews, and observations. The phenomenon of methodological triangulation was contrived due to our aim of developing a thesis of “good” quality (Denzin, 1984).

Our case company, Agder Energi AS, was a suitable and preferred company for our thesis for a variety of reasons. Firstly, Agder Energi AS have been pushing towards sustainable practices since 2010 when they first started to use GRI (kilde). This was relevant for our study as we wanted to investigate how employees perceive the transformation toward a sustainable corporation. Through qualitative interviews from employees working in different subsidiaries in Agder Energi AS, we were able to dig deeper in certain elements we found especially interesting. Secondly, Agder Energi AS have initiated a project which aims to implement sustainability in the financial function as well. Although Agder Energi AS have been working for sustainable practices for a decade, the following project was created as a response to implementing sustainable operations throughout the corporation. While the project of implementing sustainability in the financial function is still in the starting point, we were unable to study the final outcome of the implementation project. On the contrary, we could look into the project and observe managers who actively use different sets of MCSs in the early stage of the process. The valuable insight enriched the thesis and was highly appreciated from the very beginning. Also, it enlightened us with the complexity of deep and shallow knowledge that is beneficial to us in future jobs. The third reason why a case study of

Agder Energi AS was preferred was based on our intrinsic motivation to look into the field of MCSs. MCSs is a separate course that is part of the master's degree in Business and Administration at the University of Agder. We found this topic especially interesting prior to our master's thesis. The slight knowledge about the use of MCSs triggered us to gain a deeper understanding of the subject. Therefore, contriving a thesis in the field of MCSs was desirable to increase the education in this specific topic. Writing a case study about Agder Energi AS was perceived as suitable for our thesis as we found this case company as a great opportunity to gain more knowledge to bridge the gap between MCSs and sustainability strategies. Another outcome of writing a case study about Agder Energi was the monitoring from different managers in the company throughout the thesis. And especially the Head of Corporate Governance in Agder Energi AS, Arve Hildebrandt, helped us by discussing different topics and challenges with us. This was something we didn't know we would get before we started writing our thesis. We are, therefore, very grateful for all the feedback and time he put into our thesis to help us along the way. Lastly, we found the topic of interest and the following case as a good opportunity to expand the literature in the field.

### **International**

The expanded literature of corporate sustainability indicates that companies can be a solution to cope with environmental challenges internationally (Ludwig & Sassen, 2021, p. 2; Pedersen & Jørgensen, 2018; Swarnapali, 2017, p. 1). The quest for sustainability, that is mainly driven by environmental, social, and economical trends, pushes companies to become more sustainable than ever before (Kajikawa et al., 2014, p. 431; Purvis et al., 2019, p. 681). Companies must respond to external and internal factors to remain compliant and evade greenwashing (Atkinson, 2000, p. 235). Numerous sets of frameworks have been prepared on an international level, such as GRI and EU Taxonomy Climate Delegaty Act (the European Union, 2021; Value Reporting Foundation, n.d.). Hence, the relevance of corporate sustainability cannot be underestimated - neither domestically nor internationally. Although findings from the in-depth interviews indicate that some people tend to believe that the term "sustainability" may be a buzzword, the importance of doing a "good" business for the society is undoubtful. Doing something that serves the current generation without causing lasting harm to the entire planet is something that is valued in Agder Energi AS' daily operations. It is part of their strategy but also permeates their organizational culture (Agder Energi, 2021). While Agder Energi AS is a hydroelectric power company which makes it logical to make "green" choices on a daily basis, I believe that the current trend and

awareness of climate change is pushing the new generation worldwide to make sustainable choices. Not only privately, but also in the business environment. Climate change is something that doesn't only affect certain people, it affects everyone. Hence, managers need to implement sustainable strategies to respond to customer needs and demands, and sustain competitiveness.

To bridge the gap between corporate sustainability strategy and the implementation, Epstein and Roy (2001) highlight the importance of translating the strategy into actions. In order to do this, Engert and Baumgartner (2016) point out leadership, manager mindset, organizational culture, and employee knowledge as main factors. These factors are also known as informal control systems (Langfield-Smith, 1997, p. 208). Exploring how these factors contribute to a successful implementation was one of our goals in the master's thesis. Through the interviews, our findings show that employees underpin several of the above mentioned aspects and believe they are important to succeed and to overcome the challenges of implementing sustainability into day-to-day operations. Especially the former aspect, *leadership*, and the latter one, *employee knowledge*, were key words that several of the interviewees in Agder Energi AS considered important to succeed in implementing sustainability in a corporation. A top down approach where the manager guides the rest of the employees is essential to set the stage of what is perceived important. On the other hand, formal controls such as performance evaluation, measurements, reward criteria through KPI's and budgeting systems to control results are also important (Lueg and Radlach, 2016). Formal controls are often visible, it is a part of the organizational structure, and may motivate people to go the extra mile (Daft & Macintosh, 1984). As part of our thesis, we investigated how both formal and informal control systems are used in Agder Energi AS to motivate employees toward the green transition.

Although external trends force companies to report on sustainability, lots of managers take advantage of the sustainability trend. Several companies have become aware of all the possibilities that are closely tied to the green transition (Forcadell et al., 2019, p. 2). It can improve the company reputation, facilitate differentiation strategies, and eliminate operational costs (ibid.). For instance, the well known company Patagonia is famous for being an early respondent to the quest of sustainability. Not only do they respond to the legal requirements, they go the extra mile by offering products and services that are good for both the environment and customers. For instance, 100 % of their electricity in the US is met with

renewable energy, 94 % of their line is used by recycled materials, and more than 64,000 employees are supported by Patagonia's participation in a Fair Trade Program (Patagonia, n.d.). Although some of the choices might be more costly than operating as business as usual, they can receive the benefit of integrity gains and increased branding (Tarmuji, 2016, p. 72). This is also in alignment with Buniamin (2010) who states that good sustainable performance generates value in terms of increased profit. A strong brand attracts new shareholders and is essential in a long term perspective (Buniamin, 2010).

### **Summary and Conclusion**

As a consequence of environmental changes, business managers internationally are dependent on finding effective ways to implement sustainability strategies to maintain competitiveness. Having a sustainable practice may no longer be a comparative advantage but a requirement to respond to customer demands. MCSs is an efficient tool to implement strategies. However, finding a suitable practice for implementing sustainability strategies seems to be a challenging task for managers. Instead of focusing on profit maximization alone, several dimensions have to be taken into account at the same time. Although new requirements and powers enforce guidelines for managers internationally, such as reporting to GRI standards and the EU Taxonomy, more work is to be done. Good leadership and an increased knowledge about the importance of a sustainable practice are main factors to succeed implementing a sustainability strategy, and is moreover highlighted by several scholars such as Epstein and Roy (2001) and Engert and Baumgartner (2016). A top down approach where managers guide the rest of the employees within the business and set the line is essential to overcome the challenges. Using informal control systems by building common beliefs and a culture that values sustainable practices may be core elements to every corporation worldwide, not only in Agder Energi AS.

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## **APPENDIX 5: Individual discussion paper Hans Erik Strifeldt**

### **Discussion paper**

This reflection is the part of the guidelines for writing a master's thesis at the School of Business and Law, University of Agder. In this discussion paper I will give a presentation of the thesis and discuss how our thesis corresponds to the concept "international", and thereafter give a summary.

### **Presentation of the thesis**

I wrote this thesis with my colleague Thea Tufte Larsen and this is our final paper to finish our master's degree in Business Administration. The topic for our thesis is *Using Management Control Systems for Implementing Sustainability in Organizations*. Me and my colleague had similar interest in both these topics, MCS and Sustainability. It was during my bachelor's and master's that I became more interested in the field of sustainability. At the bachelor's level, we were introduced to a new subject within ethics, social responsibility and sustainability. At UiA, it was the subject Sustainable Capitalism that had an impact on a potential master's thesis. Our research question is "*How can management control systems affect the implementation of ESG?*". We conducted a case study on a single company. In our case study we conducted several interviews with managers in the company's subsidiaries. We participated in meetings and workshops under the auspices of a management team that works to implement ESG in the company's financial department. We also did observations of documents. The different ways of collecting data meant that we were able to collect a large amount of data. The different ways of collecting data meant that we gained a deep insight into the ongoing processes, people and challenges a company faces. The leader of the project contributed knowledge and perspectives that helped us design the task in a direction that was interesting and valuable. We wanted to look at what it takes to implement sustainability in an entire company. Our thesis can be interpreted as an intermediary between the management and employees of the company. For example, how to link perspectives from employees to how management works to implement sustainability. This thesis has been an incredibly exciting and rewarding research project.

### **International**

Climate changes are an international challenge, and this challenge could affect most organisations around the world in how they act towards this. On a global level there are

concerns about the destruction of our eco systems by an unsustainable resource consumption driven lifestyle. On a company level companies include sustainability into their business models. This is due to stakeholder pressure, like consumers and governments. In the field of sustainability in business it has been implied that organisations can be, and are becoming a solution to solve the sustainability challenges (Ludwig & Sassen, 2021, p. 2; Pedersen & Jørgensen, 2018; Swarnapali, 2017, p. 1). The discussion of a sustainable development has been around since 1987, when UN called for sustainability through the UN report. The original term was characterized by the ability to remain a healthy and diverse biological system over time, but Pedersen & Jørgensen (2018) demonstrates how this definition has turned into a political concept including a vast range of social dimensions such as poverty, health, gender equality and social justice (Pedersen & Jørgensen, 2018, p. 41). The focus on sustainability has been use inconsistent over the years. Ranging from economic sustainability, social sustainability, and ecological sustainability. One attempt to tackle all the challenges was to develop the Sustainable Development Goals (SDG's) in 2015. These 17 interconnected goals have an aim to pivot organisations to commit to ending the global challenges the world is facing today. Organizations around the world choose to focus on some of these goals in their daily mission and vision. Our case company has also chosen some of them, and their sustainable strategy is influenced by these. Today the most people and organization agree on the importance of sustainability. The pressure to obtain this in the organisation is influenced from stakeholders and external demands, and also from the internal expectations to contributed in a good way. Companies are increasingly subject to expectations not only to be profitable, but also to be sustainable. This pressure from stakeholder expectations with respect to not only the company's creation of value, but also to how the value is created. It is no longer about whether organizations should consider sustainable measures, but rather how to incorporate it into daily operations (Epstein & Buhovac, 2014, p.1).

The company in our case is in a process of implementing ESG into their economic functions. ESG is shorten for Environmental, Social, and Governance. This is a holistic approach to sustainability (Niemoller, 2021). The ESG criteria constitute a three-part focus on non-financial considerations, which investors and other stakeholders use to assess and rank the company's ability to safeguard climate/environment, social conditions and rights, and responsible and ethical business management.

Our topic and findings relate to practical challenges that company's faces. According to Lueg & Radlach (2016) finds evidence for management control systems to enforce sustainable development. Malmi and Brown (2008) arguments for management control systems to direct the behavior of employees. In our research we find evidence that are coherence to both of these. We looked into the importance of leadership, how to understand sustainability, competence, and KPIs. For instance, the term "sustainability" is kind of unclear and it has to be translated into something that is understandable for specific companies. The last contribution to the trends is ESG. In recent years there have been many reporting criteria for companies, such as Global Reporting Initiative (GRI) and Task Force on Climate Related Financial Disclosures (TCFD). The Triple Bottom Line (TBL) is a business concept that firms should commit to measuring their social and environmental impact, in addition to their financial performance, rather than solely focusing on generating profit (Miller, 2020). All of these including various definitions of sustainability has made the term rather unclear. Our findings show that employees have a certain level of knowledge about the concept, but it has to made understandable for their specific company and case to exploit the potential effect of sustainability. Management control systems are essential for fostering the processes of sustainable integration. Sustainability is a complex theme. It can lead to changes in a workplace. Our thesis is relevant for to gain a perspective on the complexity of implementing sustainability. There is always a risk for that companies are seen as just "greenwashing" that they communication externally that they are sustainable. That is pretending to be greener than they are. So, for companies that wants to integrated sustainability into their strategy has to be aware of multiple factors before they are on the right track.

From the MCS subject we have learned about cultural control systems. This embraces initiatives, communication and commitment from top management and employees. These are factors we have investigated in our master's thesis, and we have found several findings that this is highly relevant. Communication about sustainability in itself and processes around it is central to creating a commitment and enthusiasm for potential opportunities. The fact that the management is behind the change and are role models is important for employees to take ownership of the content. Part of becoming a more sustainable company, beyond implementing KPIs and goals, it requires efforts at multiple levels of an organization. Even if the management are prioritizing sustainability, they often still need employees to implement these initiatives into the business. Both sides need one another. Management plays an

important role in setting sustainable KPIs. They must also clarify what is the desired behavior and how this is linked to SDGs and sustainable development.

Our unit of analysis and their operating environment is renewable energy sector. This field is influenced by international trends and evidence show that there is a record growth in renewable energy sources such as solar and wind (IEA, 2021). Our company is one of the leading companies in green hydropower. Hydropower is a reliable source of clean electricity. If countries are serious about meeting their net zero goals, hydropower is a source to put on the agenda. Another trend is related to new materials and methods for constructions. Our case company are working on KPIs regarding new facilities and upgrades at constructions. They have a net zero goal of reducing use of SF6 gas in buildings and investments. They also have a goal of reducing emissions when building with buildings with cement.

For companies to help their organisations to be a leader in sustainability they are leading the way with climate commitments and they are contributing by adopting SDGs in their strategies. This helps companies to set climate targets that align with limiting the global temperature rise to 1.5C. The trend is to tackle their own emissions, but also being a driver for the change in their own country. Global investors are adopting green investments. ESG are used as a method to rank companies on their performance regarding their impact on environmental, social and governance, and how the business management takes care of the stakeholders in and around the company.

My last reflection is related to how I gained more interest in sustainability through my studies and how companies should think in order to attract the workforce of the future. Sustainability became more relevant to me during my studies since it was integrated into my studies. The generation that is now growing up is much more exposed to the consequences of global warming and the global challenges that arise from this. And I think that the next generation of workforce are looking for companies that have a greater purpose and involvement in CSR and sustainability. For employees it could a source of pride to work for a respectable and ethical company. Sustainable companies are also like to care for employee welfare. We have observed that our case company takes the welfare of employees very seriously. The company is also promoting diversity through employment. The company have measurements for the number of female employees at the workplace, and also the amount of female in management. For employees with intrinsic motivation related to sustainability wants to work

for a company whose values align with their own core values. Building a talented team is a crucial element to maintain a competitive advantage and having a successful business. Companies have to position themselves to attract the best recruits. Sustainability has a benefit of creating a sense of purpose at work and this plays a big part of retaining talent.

There is a trend that schools and universities around the world, and especially in Norway, have implemented several study programs aimed at sustainability and innovation. Some of the topics are "digitalization and sustainability", "Sustainability and profitability", and "master thesis in sustainable management". These are subjects that should be on the agenda for the future. I believe that the next generation will be more aware of the sustainable efforts of a potential company they are going to work for. It was pointed out in an interview that the company has to become a reliable workplace in the green change. The branding and position of the company has to be aligned with future trends and prioritize global challenges to attract the best talents with relevant education.

### **Summary and conclusion**

As discussed above, the general implementation processes in companies are a long journey. There are several aspects to consider for the implementation process. There are external factors that contribute to the change. For companies it is important to have internal processes that emphasize and push for a sustainable development. Management control systems plays a key role in how the company adapts its strategy, communicates sustainability internally and externally, and how investments are adapted to a greener future. Companies have to take sustainability seriously. They have to implement it in daily activities and maintain the effort over time. Companies also have to position themselves and brand the company to attract the workforce of the future that has a greater focus on a purposeful workplace. Being a sustainable company will be beneficial to attract employees. One way to do this is to have social vision and purposes as well as sustainable business ideas to achieve company goals.

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