



**UNIVERSITY OF GOTHENBURG**  
**SCHOOL OF BUSINESS, ECONOMICS AND LAW**

Master Degree Project in Management

**Responding To Complex Demands of Sustainability**

A study of two companies in the Building and Construction Industry in Sweden

Master Degree Project 2017  
Authors: Liz Peter and Caroline Quist  
Supervisor: Kajsa Lindberg  
Graduate School

# **Responding to Complex Demands of Sustainability**

A case of two companies in the building and construction industry in  
Sweden

**Liz Peter**

Master of Science in Management, Graduate School of Business, Economics and Law, University of  
Gothenburg

**Caroline Quist**

Master of Science in Management, Graduate School of Business, Economics and Law, University of  
Gothenburg

## **Abstract**

The concept of sustainability in which companies engage in has been researched for years, but it is not until recently it has gained legal status in the society. As a result, limited time has been provided for researchers to address the current situation and the consequences of the legal pressure that some companies are now facing. This paper examines how two companies organize their work to meet the demands they are now facing regarding sustainability reporting. The purpose for the study is to investigate the early adoption of the sustainability reporting law in the building and construction industry in Sweden with the aim to investigate how the new legislation is interpreted and responded to among the selected companies. The study is of qualitative nature and data was collected by conducting semi-structured interviews. Institutional work, institutional complexities and organizational responses, complemented by organizational routines; how they could be used as a response to institutional complexities, were used as a framework when analyzing the relationship between the chosen organizations, including their routines, and their surroundings that represent certain logics. The results indicated that the companies were faced with multiple logics; the sustainability logic, “the greater good,” and the corporate logic, “maximizing profit”. This study thereby promotes that the logics led to complexities that were responded to in various ways depending on position in the industry, internal structure, and current stage of implementing or utilizing sustainability reporting.

## **Keywords**

Sustainability Reporting, Institutional Complexities, Internal Demands, Organizational Responses, Organizational Routines

# Introduction

Imagine a soccer game with multiple players on the field. There are coaches, an audience, and rules, bringing different perspectives and interests into the game that will occur. Now, change your perspective and imagine the soccer game involving companies instead of soccer teams, instead of coaches there are managers, instead of an audience there are surroundings putting demands on the companies, instead of a soccer field there is an organizational field, and instead of the rules of the soccer game there are expectations and rules about sustainability. This is where the following study takes off.

Under the umbrella term “sustainability” lies more than one possible way of interpretation and enactment. In 1987, the World Commission on Environment and Development defined sustainable development as “development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs” (WCED, 1987:37). Being sustainable could be seen as a necessity for many organizations today, something that companies are expected to actively improve or work on. Environmental- and social accounting is causing a discussion whether it will lead to organizational change (Larrinaga-Gonzalez & Bebbington, 2001). In April 2014, the European parliament adopted new rules for companies employing more than 500 people, with their Directive on disclosure of non-financial and diversity information (European Commission, 2014). Large companies are required to release useful information for understanding their development, performance, position and impact of their activity. As an answer to the directions set by the European parliament, the Swedish government changed the accounting act on December 1<sup>st</sup> 2016, adding a sustainability clause. The sustainability report (SR) will be accounted for starting in 2018 (Ahlstrand, 2016). Small and medium-sized enterprises (SMEs) are not included as the cost of applying the rules could outweigh the benefits (European Commission, 2014). However, the SR does not have to be legally reviewed or revised by an accountant (Ahlstrand, 2016), merely releasing the report is sufficient enough. The SR needs to contain how companies are working with sustainability but there are no guidelines on what work actually needs to be done or for whom the SR is created.

While the concept of sustainability in which companies engage in has been researched for years, it is not until recently it has gained actual legal status in the society (European Commission, 2014). As a result, limited time has been provided for researchers to address the current situation and the consequences of the legal pressure that some companies are now facing. The new legislation raises the question about how companies will organize their work to meet the demands they are facing regarding the SR. Companies have been implementing SR before there was a law which in turn has given room for some previous research, in addition with the concept of SR being new, it is getting increased attention by researchers. A lot of emphasis in previous research is on different external- and internal factors that influence the formation of the SR (Grahovar, 2016). According to Adams (2002), there are internal factors, which partly determine how the SR is generated and what is included in the report. Factors such as routines, time pressure, and existing information systems have shown to create inertia, flexibility, and insecurity. Dey (2007) means that the lack of knowledge and goal setting in regards to different environmental measurements make the SR more difficult

and limits the potential for comparisons between companies (Frostenson, Hellin & Sandström, 2013). Adams (2002) further means that the absence of internal stakeholders leads to an incomplete SR. Additionally, external factors such as legal pressure, expectation from stakeholders, and mimetic pressure from industries as a whole also have an impact on how the SR is generated (Liesen, Hopener, Patten & Figge, 2015). Larrinaga-Gonzales and Bebbingtons (2001) suggest that legal pressure can lead to incomplete disclosure of information.

Three main areas in previous research of sustainability in relation to SR can be identified; stakeholder pressure, information transparency, and environmental accountability. Sustainability efforts are often explained through institutional theory as something companies do, or are expected to engage in because of external pressure such as customers, governments, competition and/or internal pressure such as management or employees (Dashwood 2012; Delmas & Toffel, 2004). According to Jennings and Zandbergen (1995), the strongest pressure is coercive pressure, i.e. governments or more powerful companies within an organizational field, forcing the less powerful to comply with certain behaviors (Meyer & Rowan, 1977; DiMaggio & Powell, 1983). In recent years, the organizational adoption of sustainable initiatives is explained as a strategic response in order to address reputational issues and gain legitimacy (Jamali, 2010; Dashwood, 2012). In other words, the coercive forces brought up by Jennings and Zandbergen (1995) are stronger today than they have been before, and companies that are not included in the regulations may find themselves having to address reputational issues in a wider range. Similarly, Rawlins (2008) argues that the term “transparency” increased after numerous corporate scandals (Enron, WorldCom, Tyco, and Volkswagen) in the early 21st century. The literature suggests that in order for companies to increase trust, it is essential to be transparent with the communication (Rawlins, 2008). Transparency requires accountability, which signifies that organizations are accountable for their decisions, words, and actions, as a result of these being available for people to see and evaluate (ibid).

An organizational field that has been faced with a lot of scrutiny in regards to sustainability is the building and construction industry, with the impact on the environment from the industry being major (Ofori & Ansahh, 2014). The different actors within the industry work alongside each other and consequently depend on each other for reputational and sustainability issues. With the essential position the industry holds in our society, it is put in a power position where decisions and actions will bear consequences for surrounding players. The building and construction industry has the reputation of being conservative and retrogressive (Armstrong & Gilge, 2016), in addition there has been limited time provided for research of how the new legislation will be acted upon within this particular field. Grahovar (2016) suggests that additional research should be placed on how internal factors create inertia, flexibility, or insecurity in the creation of the SR. In contrast to Jamali’s (2010) claim that the adoption of sustainability work often looks quite similar among companies within an organizational field, Delmas and Toffel (2004) and Hoffman (2001) mean that the interpretation of a certain pressure looks different depending on the internal structure of a company.

Conducting a qualitative study, using the framework of institutional theory, including institutional complexities and organizational responses, we will study the early adoption of

the SR law in the Swedish building and construction industry. The study will explore the aspect of SR as an external demand for two companies. The aim of this study is to investigate how the SR legislation is interpreted and responded to among the selected companies. The study strives to answer the following questions: a) Why the chosen companies engage in sustainability activities, b) How they respond to SR internally and externally and c) How the SR is acted upon and put into use.

## **Theoretical Framework**

### **Institutional Work and Institutional Complexity**

Institutional theory has become a leading perspective in relation to macro organization theory (Greenwood, Oliver, Sahlin & Suddaby, 2008). Meyer and Rowan (1977) argue that coordination is a routine where rules and procedures are followed, and many policies and programs are imposed as a response to public opinion by social prestige or the law. However there are more recent developments in institutional theory such as institutional work. Institutional work provides a framework for studying people, micro level changes and work within organizations (Lawrence & Suddaby, 2006). Institutional work offers a focus on practice, hence what people do and how actions affect institutions. The concept of institutional work refers to “the purposive action of individuals and organizations aimed at creating, maintaining and disrupting organizations” (Lawrence & Suddaby, 2006:215), and deals with the relationship between institutions and agency. Thus institutional work can capture deliberate actions that produce an institutional effect, regardless if this effect is desired or anticipated (Lawrence, Suddaby & Leca, 2009). The institutional work approach can be characterized by its intention to include the focus of “conscious intentionality”, which can be seen as principally absent in neo-institutional theory. Researchers within the field of institutional work have stressed the impact that individuals or organizations have in regards to institutional change for the past decade. According to Battilana and D’Aunno (2009), studies regarding the role of organizations and/or individuals in institutional change face a paradox. Similarly, Holm (1995) and Seo and Creed (2002) question how actors can change institutions with their intentions and actions when they are all conditioned by the institutions they intend to change, furthermore this paradox between agency and institutional determinism is identified as the “paradox of embedded agency” (Seo & Creed, 2002). The concept of institutional work provided by Lawrence and Suddaby (2006) assumes that actors can intentionally act to either transform or maintain existing institutions, however in order for institutional work to be sustainable, it is important to recognize the paradox of embedded agency or the contradiction between actor’s agency or institutional determinism (Battilana & D’Aunno, 2009; Willmott, 2011).

It is suggested that more work is needed from institutional work researchers, in regards to the work that is involved in adapting, governing and reforming organizational institutions (Kraatz, 2009; Willmott, 2011; Pache & Santos, 2013). In addition, increased attention has been put on the nature of agency under the term ‘institutional work’ and ‘institutional complexity’ (Greenwood, Raynard, Kodeih & Lounsbury, 2011). Institutional

complexity could be defined as the encounter of “incompatible prescriptions from multiple institutional logics” (Greenwood et al, 2011:317). Kraatz and Block (2008) argue that many organizations today embody multiple logics where these logics could potentially be in conflict with one another, as a result institutional complexity is created. Institutional logics refers to certain belief systems and practices that are dominate in an organizational field, and these logics mirror expectations in regards to behavior and social relationships (Scott, 1991). Institutional logics in this sense are seen as predominant sets of principles that suggest “how to interpret organizational reality, what constitutes appropriate behavior, and how to succeed” (Thornton, 2004: 70). Organizations might face challenges when dealing with multiple institutional logics due to the trigger they might cause on internal tensions which could generate conflicts (Battilana & Dorado, 2010). Conflict between key actors can occur when a new logic is introduced to an established field, due to the challenging actors supporting the new logic meanwhile other actors supporting the old logic (Reay & Hinings, 2009). When a new logic is introduced in a field it can become the dominant logic and subsequently lead to guidance for existing field members. On the contrary, competing logics can co-exist and the rivalry between competing logics can be handled through the progress of collaborative relationships (ibid). McDonald, Cheraghi-Sohi, Bayes, Morriss & Kay (2013) suggest that different organizational activities reflects different logics rather than one logic being dominant. Goodrick and Reay (2011) suggest that logics coexist and do not have to compete within the same activity.

According to Pache and Santos (2013) one assumption regarding institutional logics is that organizations constitute of individuals that will either accept a logic or resist it. However, the reality for organizations are often more complex, individuals might not only accept or resist the logic, they might also be indifferent or comply with it (Pache & Santos, 2013). The degree of influence of a logic differs as a function of the degree of availability, hence the individual’s knowledge and information, the degree of accessibility, namely to the extent that information and knowledge about the logic might come to mind, or degree of activation, which refers to if accessible or available knowledge or information are utilized in social interaction (ibid). The position of the organization within a field will determine the intensity of the complexity it will experience, where “central” and highly embedded organizations might be more exposed to the tension that multiple logics cause, compared to “peripheral”, less embedded organizations (Pache & Santos, 2010; Greenwood et al., 2011). Additionally, characteristics of the organization, including identity, structure, governance and ownership, can influence the sensitivity to certain logics (Greenwood et al., 2011; Pache & Santos, 2013). Decision makers in organizations will influence the interpretation of the logic and preferable outcome, and will subsequently affect responses to complexities (Chung & Luo, 2008). Thus organizational structure is important, not only in regards to how organizations experience complexity but also when determining the range of organizational responses that are available to the organization (Greenwood et al., 2011). Identity related to organizations signifies the different attributes that define the organization in relation to other organizations, particularly organizations that share the same institutional category (King, Felin & Whetten, 2010). Institutional identities are significant since they shape the caution when organizations are confronted with complexities, furthermore organizational identity influences how organizations prioritize pressures and expectations (Greenwood et al., 2011).

Due to the predictability and consistency in the set of competing institutional demands, organizations should be able to respond in an appropriate manner to institutional complexity through developing suitable internal structures and practices (Greenwood et al., 2011). Thus the predictability of complexity, can be estimated to allow organizations to learn how to respond and manage, moderating the challenges institutional complexity can cause (ibid). Hence all organizations are not affected equally from the pressures that arise from institutional complexity, due to field level institutional processes being enacted and filtered differently by different organizations (Greenwood et al., 1996; Lounsbury, 2001; Delmas & Toffel, 2008). It is suggested that some organizations such as high-status firms or highly visible organizations might be particularly targeted by stakeholders that advance specific logics (Greenwood et al., 2011). According to Pache and Santos (2010), some organizations depend upon fundamental institutional referents for certain resources, for instance license to operate or funds, and will consequently conform with these stakeholder's expectations in order to secure access to these key resources. On the contrary, these same organizations due to their resources and size, might be shielded from institutional pressures that are inaccessible to smaller organizations with fewer resources (Greenwood et al., 2011). Additionally, conflicting institutional demands might differ in regards to ideological goals they reason as legitimate or courses of action they advocate (Pache & Santos, 2010). The responses can subsequently have implications for legitimacy and similarly impact organization's access to essential resources (Greenwood et al., 2011). Pache and Santos (2013) suggest that when people face competing institutional logics, they might respond on a micro-level with ignorance, compliance, defiance, combination or compartmentalization. Ignorance is related to an individual's lack of awareness of the logic's influence and as a result, there is an absence of response. Compliance on the other hand, is when the individual adopts to the given norms, values and practices that are proposed by the logic (Pache & Santos, 2013). On the contrary to compliance, defiance refers to the rejection of these norms and practices from the individual. Lastly combination occurs when the individual attempt to merge some of the norms and values that are prescribed by the competing logics (ibid).

Organizational responses to institutional complexities are often described as a challenge that organizations face, but on the other hand institutional complexity can create a foundation for innovation and improvisation, due to actors treating the sets of alternative ideas, values, beliefs and practices as resources for creativity of new social combinations (McPhersons & Sauder, 2013; Smets et al., 2015). According to Pache and Santos (2010) organizations will develop strategic responses when facing conflicting institutional demands. In addition, Kraatz and Block (2008) suggest that organizations establish strategies with the attempt to eliminate the sources of conflicting institutional demands, where the demands are compartmentalized and dealt with independently in order to create institutional order. It has been suggested that response strategies from organizations may differ, depending what the 'conflict' is about and the motivation from different organizational groups to see one of the competing demands as predominant (Pache & Santos, 2010). Furthermore, the nature of the demands are an important aspect when looking at organizational responses to conflicting demands since it could predict the extent to which the demands are negotiable. In addition, the nature of the demands is an important aspect when looking at organizational responses to conflicting demands since it could predict the extent to which the demands are negotiable

(ibid). When examining the context where a well-established logic is challenged by an emerging logic, it is important to realize that organizations must find ways to develop, or not develop, new practices to adapt to the emerging logic (Greenwood et al., 2011).

### **Routines as response to institutional complexities**

Organizations today face different types of external or internal demands and subsequently find ways to respond to those demands. Routines can be an important source of response to institutional complexities, routines play an important role in organizations since much of the work that is performed is accomplished through routines (Feldman, 2000). Furthermore, organizational routines could be related to organizational structure, socialization and decision-making (Beyer, Stevens & Trice, 1987). An organizational routine is defined as “a repetitive, recognizable pattern of interdependent actions, involving multiple actors” (Feldman & Pentland, 2003:95). An organizational routine can be divided into two parts that relate to each other, the first part represents the abstract idea of the routine (ostensive aspect), whereas the other relates to the actual performance of the routine (performative aspect) by specific people, in specific places and at specific times (Feldman & Pentland, 2003). The routine could go from being ostensive to performative in the sense that people can use the routine as a guide to know what actions that should be taken (ibid).

The aspects of conflict and power have been related to routines in the sense that routines can be established in order to avoid procedural conflict of interest (Feldman & Pentland, 2003). Thus the agreement on how to perform the work, the routine, reduces the impact of the conflict, in addition the creation of routines can be a power mechanism for management to enact control over the labor force (ibid). When saying that action in routine is consequential, Howard-Grenville et al. (2016), argue that routines should be enacted since without action, routines are simply empty commitments. Furthermore, action in routines is influenced by relations that are structured between organizations and its customers, stakeholders and other actors that might be involved (Howard-Grenville et al., 2016). Adding to this argument that action is required, the process of engaging in organizational routines can be seen as a process of learning (Feldman, 2000). As a result, knowledge becomes embodied and subsequently becomes operational knowledge (ibid).

According to Feldman and Pentland (2003), external pressures to improve performance can also cause changes in routines in organizations. Change in routines is particularly apparent when the change is provoked by a crisis or unforeseen external pressure (Feldman, 2000; Feldman & Pentland, 2003). However, routines can also change in well-established organizations that operate in stable environments (Feldman & Pentland, 2003). Additionally, even though routines in organizations might be a source of inflexibility or inertia, they can also be an essential aspect in organizational flexibility and change. From a SR perspective Howard-Grenville et al. (2016), suggest that routines are effortful accomplishments in the sense that effort is required in order to perform, sustain or change the routine. Even though the action that is often performed by individuals, the sense making and understanding of the outcomes that correspond to values and ideals is often socially constructed (Feldman, 2000). Institutional Theory; institutional work, institutional complexities and organizational responses, complemented by Organizational Routines; how they could be used as a response to institutional complexities, will be used as a framework



when studying the relationship between the chosen organizations, including their routines, and their surroundings that represent certain logics.

# Methodology

## Design of the study

Since the aim was to examine how organizations interpret and respond to the new SR legislation, a qualitative research method was favorable. Qualitative research involves a variety of different approaches and can be used to examine how phenomena are ‘experienced’ (naturalism) or ‘constructed’ in people’s everyday activities (Silverman, 2013). Additionally, as the study aims to provide a deeper understanding of how sustainability is interpreted and talked about compared to how it is acted upon in practice, a case study method in two organizations was adopted. In accordance to Flyvbjerg (2006), an advanced form of understanding can be achieved when placing us as researchers within the context that will be studied.

## Data collection

The primary data was collected by conducting semi-structured interviews. Silverman (2013) argues that semi-structured interviews can provide reliable, comparable data. In order to fulfill the aim of our study, we focused on two main actors in the building and construction industry in Sweden. Further, the industry organization was brought in as an additional perspective. Access was a significant determinant when selecting the respondents, in combination with the requirement that they both had to be affected by new SR legislation. The initial contact with both companies lead to a snowball effect, enabling us to reach more people that were of interest to our study. The overall aim was to compare the two main organizations, one stock listed company and one family owned company. A comparative approach was used where the main factors of comparison were the stakeholders of the organizations and different demands they are facing as a result of this. All three organizations are presented in table 1 below, for the sake of our analysis and results the organizations are named Builder Barbara, Supplier Sam, and Helper Henrik on the basis of their position in the industry.

Company	Size	Revenue (tkr)	Stock Listed	Position in the Industry	HQ in EU	Appointed Sustainability Manager	Years of SR	Number of interviews
Builder Barbara	10,060	62,502,000	Yes	Builder	Yes	Yes - 2012	7	7
Supplier Sam	321	1,111,244	No	Supplier	No	Yes - 2016	0	7
Helper Henrik	106	246,548	No	Industry Organization	Yes	No	0	2

Table 1

Builder Barbara is one of the larger building companies in the building and construction industry in Sweden. Builder Barbara is stock listed, and have more than 10,000 employees

(Sveriges Byggindustrier, 2016) in Sweden. They have an annual turnover of 31 million SEK (Company Website, 2016). Supplier Sam is a large supplier of tools and building material in the building and construction industry with around 300 employees in Sweden. Supplier Sam is not stock listed (Company Website, 2016). Lastly the third company is Helper Henrik. Helper Henrik is the industry organization specifically aimed to help companies in the building and construction industry in Sweden. Helper Henrik is not legally obligated to report on their sustainability work, but is part of the study to get an overall perspective as a result of the company's position in the industry. Thus the two actors for the sake of comparison were Builder Barbara and Supplier Sam. In addition to the primary data, secondary data was collected from annual reports, companies' websites, company magazines and official documents. The secondary data provided additional information that was not given by the respondents.

16 interviews were conducted in total, 7 people were interviewed from the stock listed company, 7 from the family owned company and 2 from the industry organization. The goal was to interview people at different positions in order to obtain a broad perspective of how the interviewees understood and made sense of the SR legislation as an existing or new routine in each company. The amount of experience amongst the interviewees differed between 1-15 years. The forum for the interviews differed between face-to-face, phone, or Skype. It was easier to schedule phone or Skype interviews as some interviewees were located in different cities, it was noted that Skype interviews compared to phone interviews were easier as there was a personal connection to the respondent. On the other hand, some respondents seemed more comfortable on the phone, allowing them to have more time to reflect and answer the questions. However, technical difficulties were easier to avoid when meeting the respondents face-to-face. The interviews lasted between 30-60 minutes with the face-to-face interviews lasting longer than the others. The face-to-face interviews turned into more of a conversation rather than a stricter question-to-question interview. Both authors were present during all interviews, one primarily asking questions while the other took notes. All respondents were asked permission to be recorded, and the interviews were continuously transcribed throughout the writing process.

An interview guide was constructed beforehand and was tailored to different groups based on their positions. The questions were aimed to be open-ended in order to make sure the respondents felt comfortable to speak freely during the interview. According to Silverman (2013), a qualitative interview should imply rather informal patterns of questioning, where the aim is to allow the interviewee to set the pace. The interview guide was beneficial in regards to feeling prepared and appear competent during the interview, with the objective that it would not limit or restrict us. A few limitations presented themselves throughout the data collection. An early limitation had to do with the topic of the study, sustainability. As sustainability was often described as broad, vague, and complex, among the respondents, this initially impeded the investigation process. However, narrowing the topic down further facilitated to find the main focus. Furthermore, since the aim was quite vague in the beginning, it was difficult to provide the respondents a clear explanation of the study when they asked about e.g. the research question. In addition, no observations were made. Observations could give additional information and according to Watson (2011) they provide fundamentals when learning what 'actually happens' or about 'how things work' in

organizations. However, as observations are time consuming and additionally our topic was hard to observe we found that interviews provided a more than sufficient material. Worth noting is that we knew early on what we wanted to study, but found it difficult to concretize in writing. As a result, this turned out to be in our favor when the respondents did not know exactly what we were looking for and subsequently spoke more freely during the interviews. The respondents were notified that they would be anonymous. In addition, company name, gender, or other characteristics were neutralized in order to protect the respondents. This decision was to ensure objectivity by readers of the study, and not allowing it to influence qualities that could be connected to the respondents or the companies.

## **Data analysis**

A significant amount of data material was collected which made it critical to limit the data in regards to the data analysis, and consequently decide what was most appropriate to the research. Martin and Turner (1981) suggest that using a grounded theory approach is favorable when collecting qualitative data such as semi-structured interviews, additionally, when dealing with large amounts of data. Thus a grounded theory approach was adopted in this study, involving a continuous comparative analysis when analyzing the field material (Glaser & Strauss, 1967). Moreover, the approach was relevant when trying to understand how sustainability and the SR legislation in particular was understood among the chosen companies. All of the interviews with Builder Barbara were conducted first which provided a well-established foundation and good understanding for comparison when later collecting material from Supplier Sam. The primary and secondary data were qualitatively analyzed in different steps; the first step involved recording and transcribing the interviews. A deliberate decision was made to early on narrow down the material and identify what went along with the purpose. The interviews were continuously transcribed as they were gathered in accordance with Silverman (2013). However, the analysis was done after all the interviews were collected in order to avoid predetermined idea about the future results. The second step involved coding and categorizing the primary data. Based on key concepts and identified patterns in the interview material, three recurrent themes were divided into different colors and then used when tracing and selecting relevant quotes from the interviewees. Based on these three main themes, three sub-themes were found and marked with the same color as each respective theme. The third and final step involved incorporating the secondary data gathered from both companies, and compare it to answers given by the respondents.

The findings were divided into three main themes that presented the results; each theme was categorized into three sub-themes. The first theme “Let the game begin” discusses how employees at different levels both from Builder Barbara and Supplier Sam view sustainability and SR. Three sub-themes became clear in our analysis of the collected data; firstly, competition, i.e. adopting SR gives a competitive edge. Secondly legitimacy, adopting SR gives first and foremost legitimacy to the company. Thirdly, attitude towards SR, the overall view of the new law based on the individuals’ perspectives. “The pressure is on”, the second theme, refers to the connection of pressure to our topic. “The pressure is on” is divided into three sub-themes; organizational complexities, connected to the chosen context of sustainability in the Swedish building and construction industry, organizational responses, hence how organizations respond to internal and external pressures and lastly receiver of SR,

hence looking at how organizations interpret or adapt to the recipient of their SR and who they are doing it for. The third theme, “Challenge accepted” is connected to the organizational routines at the chosen companies. In this theme the following three sub-themes is discussed; nature of the industry, that is what kind of impact does the industry have on the SR work, presence vs. absence of organizational routines, hence how far along are the companies in their set up of routines in regards to their sustainability efforts, and individual initiative, how dependent is the SR and sustainability work on one person. Lastly a summary is given, followed by a discussion and conclusion in the final chapter.

## **Empirical findings; the starting signal has sound**

### **The Swedish building and construction industry**

Game day is here and the players are lined up, and the audience is ready. Before the referee blows the whistle the setting of the field will be presented. The Swedish building and construction industry is today employing more than 320,000 people and constitutes about half of the national wealth (Miljönytta, 2016). Between 2000 and 2014 the number of construction companies has nearly doubled. Even though the Swedish labor market was weakened during 2016 the building construction industry gave a ray of hope as the employment in contrast to the market increased (SCB, 2016). Furthermore, the internationalization in the industry is increasing both through the presence of international companies and through manpower in Swedish companies (ibid).

With the important position the industry has in society, it is alarming looking at the scrutiny that it has been faced with historically throughout the years. Critique such as lack of competition, nepotism, and corruption has been pointed its way by auditors from PwC (Connheim, 2011). However, the single largest critique aimed towards the building and construction industry is the impact that it has on the environment. According to Magnusson (2015) the critique dates back to 1997 and the scandal with “Hallands-åsen”, stating that there is a before and after Rhoca Gil and the scandal changed the industry’s way of dealing with environmental questions and the communication thereof. The industry as a whole is solely generating the largest amount of hazardous waste in our society (Miljönytta, 2016). The total climate impact from construction processes in Sweden is approximately 10 million tons of carbon dioxide per year (Westlund et al., 2014). The construction companies are forced to know how to deal with environmental questions (Magnusson, 2015).

The industry association, “Sveriges Byggindustrier”, are together with their 3100 member companies aiming towards a better environment in the industry and trying to create a sustainable development in word class (Miljönytta, 2016). As a part of this strategy, energy efficient and environmentally friendly construction is getting a lot of focus. The development of material that is environmentally friendly and the choice of using the material is an important task for the construction industry. Additionally, to decontaminate the already existing hazardous substances is a great challenge for the years to come (ibid). Further, by prioritizing modern employee agreements, safe workplaces and an industry without undeclared work “Sveriges Byggindustrier” are aiming to create an attractive industry. As

described in their own words “An industry distinguished for being responsible, safe, sound, and secure. A forward-looking industry that is continuously develops with a positive reputation.” (Sveriges Byggindustrier, 2016). Furthermore, according to Westlund et al. (2014), a lot of work and effort is being put into developing energy efficient buildings and the level of knowledge in the area is becoming increasingly higher. However, as the sustainable development in the building and construction industry is moving forward, the smaller construction companies may face the risk of not being able to follow as the demands and requirements are stronger (Miljönytta, 2016). “Sveriges Byggindustrier” (2016) are intending to help their companies increasing profitability and at the same time do good for the people, the environment, and the climate. Connecting this to our study, there has been an ongoing debate regarding the role of environmental and social accounting, creating an organizational change (Larrinaga-Gonzalez & Bebbington, 2001). Even though the concept of sustainability has been researched for at least two decades, few researchers have focused on the phenomenon in this specific setting, the building and construction industry in Sweden, within the context of SR.

It was noted from the respondents that both actors emphasize sustainability in their activities and have ambitions to make it an even greater priority throughout the organizations. As they are at different stages of the implementation of SR, they are facing different struggles in regards to make it a part of their organizational DNA. Though there were many similarities within and in between the organizations, the biggest source of differences seems to be at different strategic levels. There seemed to be different interpretations of their current sustainability practices and future plans. Routines around the new legislation were somewhat established, or at least that is the idea from top management. However, Builder Barbara is a few years ahead in the process. There was a lack of knowledge from some respondents in both organizations when discussing the SR law. Furthermore, the majority of the respondents had not actively looked for a career within the building and construction industry, which could potentially explain some of the results. A more detailed description of the findings will be presented below.

### **Let the game begin**

The starting signal has sound and there is no turning back with the legislation, in other words “the game has begun”. However, the attitude towards the game, the SR, varies. Even though there seems to be an agreement among the respondents regarding the legitimacy and the competitive edge that the SR will bring to the organizations, not everyone thinks that SR is necessary to reach the desired results. With the vague nature of the legislation and the differences in time that the companies have been working with the SR comes varying attitudes. It became clear throughout the interviews that not everyone has gotten the information about the SR which could be an explanation to the different attitudes. Some of the more informed employees meant that the legislation is just the right motivation to get job started whereas others meant that the SR has already lost its importance.

It's [the SR] a little... it's great that they are trying but in the end... I don't think it will change the way we are working at Supplier Sam. It's a little beyond that,

there are so much other things we can do that is much greater... – Director of Strategic Business, Supplier Sam

However, a common perception among the respondents is that the report and the adoption and communication of sustainability work will give them a strong competitive edge. In order to be able to sell their services or products they feel required to inform their clients of the work they are performing in regards to sustainability. Although the two studied companies are at different levels of their reporting process they both claim that in order to be a part of the competitive game, sustainability is an inescapable qualifier. For Builder Barbara the interaction with sustainability started seven years ago and was indeed a strategic move:

The discussion started already in 2005 and 2006, many other stock listed companies were already providing sustainability reports even though there were no legal demands. We noticed that if we didn't have certain environmental certifications it was harder for us to sell our services so it definitely came from a strategic standpoint – Investor Relations, Builder Barbara

Supplier Sam is just entering the game with their more public sustainability work and production of a SR. The difference in starting time however does not seem to indicate any difference in arguments as to the strategic importance of incorporating sustainability in the daily activities, as it is seen as a major competitive advantage to play sustainability smart.

We have our mind set on that this SR is something that will help us feed our business. If we make this something good it will help us grow and gain market shares – CFO, Supplier Sam

It is noticeable that employees at both companies believe that without communicating their sustainability efforts it is not possible to be a part of the game. Further noteworthy is that the discussion around the competitive edge that the SR is bringing is initiated by employees at a high strategic level at both companies. However, no specific explanation to how the advantage will play out is provided. In addition, the thoughts are provided by employees working in close proximity with each other. At lower levels at both companies the strategic importance does not seem to be as obvious and transparency surrounding sustainability work is met with more hesitation. Employees who are in close contact with the end user every day fear that the price sensitive customers will question them and abandon them which in turn means that the competitive advantage will be lost.

We are competing against other firms who may not be as keen to invest in sustainability. In some ways the client has to pay for this and then we might be put to the side in favor of a builder who is perceived more attractive in terms of price. But sometimes we also use it as a selling point if the customer is interested – Business Manager, Builder Barbara

While there are clear similarities of opinions both within and in between our chosen organizations, difference have also been demonstrated. Though competition is shown to be an important motivation to implement sustainability, it is not the only one. Legitimacy is another common denominator within and between Builder Barbara and Supplier Sam. Though similarly to the discussion about the competitive edge that SR is bringing, the discussion about legitimacy is also through big words often with a lack of support by specific examples. While Builder Barbara seem to focus more on the legitimacy that the SR will bring in regards to their investors Supplier Sam wants to bring the attention to the legitimacy it will bring internally among the employees. However, the legitimacy aspect is not seldom supported by the competitive advantage that it brings.

We want to do something better for the industry but this doesn't mean that we shouldn't earn money on it. But in the end we do it in order to create a better future – Director of strategic Business, Supplier Sam

With the new legislation both Builder Barbara and Supplier Sam are forced to provide a SR regardless of individual attitude, the pressure is now definitely on for both companies.

### **The pressure is on!**

The players are facing different pressures and demands. In this case, the organizations are subject to conflicting internal and external demands and are trying to figure out the receiver of the SR and how to reach them in the best possible way. The most recurrent demands that companies seemed to be faced with came from the internal organization. The setup of the organization led to complexities in the sustainability work that the respondents were not prepared for or even aware of. The companies have chosen to deal with the complexities in different ways depending on how far they have come in their SR work, how aware they are of their own organizational routines, and last but not least, who they picture to be the receiver of their SR. Based on the answers provided during the interviews, both companies experience an increased demand to not only be sustainable today, but to communicate that sustainability as well - especially in the industry in which they are operating.

All larger projects these days either have to have some sort of sustainability certification showing that the building is environmentally smart, companies are thinking about recycling, using renewable energy and so on. We won't sell our products to the final customer if we don't do this – CEO, Supplier Sam

Even though the awareness of sustainability has been present for some years, different aspects are now being connected seemingly in part due to the new legislation. Both Builder Barbara and Supplier Sam have responded to the increased demands from customers, however they have chosen to use different strategies. While Builder Barbara has noticed a dramatic change in the industry over the last years and foreseen the legislation, Supplier Sam is now putting their trust in that companies “partner up” in order to collaborate morally and ethically. However, there seem to be a challenge for the actors in the industry to come up with a common agreement on how they work in order for everyone to be responsible of meeting the

demands they are facing. Moreover, many companies are now focusing on showcasing their sustainability efforts rather than focusing most of the effort on the economic aspects as it has been before. Both Builder Barbara and Supplier Sam have big ambitions in regards to their sustainability work and Builder Barbara are working to become one of the leading players in the industry. Once again big words with lack of specific examples are provided by respondents.

We have a very strong vision to renew the industry and offer the most sustainable solutions – Senior Vice President of Corporate Sustainability, Builder Barbara  
We see a huge possibility for us, purely business wise, to even lead the market. In this industry, where we are currently positioned, nobody has been able to fill that space. I believe we can – CEO, Supplier Sam

Both organizations at first presented similar perception on who is considered to be the receiver of their sustainability work in general and the SR, namely the end user and the society as a whole. There are public demands, coming from municipalities and the state that have certain requirements in regards to larger renovation projects. There was a common belief that potential customers are increasingly interested in the sustainability activities and a strong belief that they will want to look at SR in order to get an overview of organizations' sustainability activities. However, the connection between the increased demand from customers and the SR legislation was not clear at all times.

There is another demand and an increased interest from our customers today but I'm not sure this is in regards to the SR legislation specifically, more so when it comes to the activities and communication around sustainability – Sustainability Manager, Supplier Sam

There is a notion of an increased demand of transparency of the companies' sustainability activities, however several respondents do not think that their employer has answered to this demand in a desirable way. Respondents from Supplier Sam described examples of CSR projects they have successfully executed but have not been communicated to the public for unknown reasons. However, employees do not think that the SR will be a solution to the transparency issue. As Supplier Sam is not listed on the stock market the annual report is given minimum attention and is even described as “a joke” compared to an annual report that of stock listed companies. In addition, it was described by the financial controller as something that just needs to be done and put on paper. Thus they do not face the same demand as Builder Barbara to produce a more extensive report. Furthermore, some employees at Supplier Sam fear that the SR will get the same limited importance hence not helping to solve the transparency problem. The director of strategic business meant that the SR is only meant to represent a small part of the annual report, and it is irrelevant as long as they fulfil the requirements of the report. Both Builder Barbara and Supplier Sam are in agreement that the pressure is on however, there are some differences both within and in between the organizations' interpretations. One of the biggest differences between the two actors is the priority of the annual report, connected to the extent of the SR law.



Naturally the annual report is very important for our investors, and the SR as well. Then there is the ethical aspect, the ethical stock market is growing as well, so it becomes more and more important that you work with it – Investor Relations, Builder Barbara

For Builder Barbara the customers have already shown interest of the SR, especially the municipalities or the state. For family owned Supplier Sam the demands has been cooler so far.

You could say it is a classic stakeholder analysis and I understand that if you are listed there are investors and a different stakeholder group – Sustainability Manager, Supplier Sam

Views differed among respondents within Builder Barbara when it came to how they should respond to the increased demand from customers. The senior vice president of corporate sustainability meant that one of the main ingredients in succeeding to meet those demands is raising the level of knowledge through training amongst all employees throughout the organization, in order for sustainability to become a natural part of their business activities. However, this opinion is not shared by everybody in the organization. When speaking of the implementation of a recent training campaign, the internal development manager stated that training might not necessarily be the right answer to attempts of trying to improve the communication of the advantages with social sustainability. When speaking about how customers will respond to Supplier Sam's environmental products, potentially raising the costs, the general attitude from top management was that they do not think this will affect the relationship with the customer negatively. However, this view is not shared amongst everybody.

I think we are not very transparent when it comes to our sustainability work, or CSR, because then the customers will automatically think that it will cost more – Sustainability Manager, Supplier Sam

Respondents from Supplier Sam found that they were not transparent enough with their present sustainability work and the reason can be drawn to a fear that being too transparent might hurt the organization and the relationship with their customers. It became clear that the pressure is on, and the organizations consequently have had to find solutions to respond to this regardless if the SR will help them in this process or not. The companies respond differently to the demands that they are facing where the organizations both have some established routines in relation to this. On the contrary some new routines need to be established in order to match the nature of the industry that has traditionally been seen as conservative and time sensitive. Thus "Challenge is accepted", which is the last theme and will be further explored in the next section.

## **Challenge accepted, or is it?**

The companies have had no choice but to enter the game. The demands and pressures are faced head on and one could say that “the challenge is accepted”. Although, have they accepted the challenge in reality? What can be seen throughout the interviews is that the SR is in general not referred to as a challenge, quite the opposite, the SR is hardly referred to at all. When asked about specific examples on how to they are producing a suitable SR the respondents tend to “beat around the bush” and provide vague answers to what is being done today. There is a clear pattern in the way of describing the industry, it holds the status of being a conservative and male dominated field. Several respondents emphasized the obstacles the conservative nature brings to further develop the sustainability work. Though Builder Barbara and Supplier Sam are operating at different areas within the building and construction industry they are experiencing similar obstacles.

It is like a large tanker to turn around, it's not just a little motor boat so it's tough.  
It is conservative [...] you live and die here and you have never really seen any other industries here – Head of Social Sustainability, Builder Barbara  
The building and construction industry is fairly underdeveloped in the sustainability area even though we are among the best countries in the world in the topic – CFO, Supplier Sam

Both companies are making efforts in order to be agents of change to this conservative industry. At Builder Barbara employees decided to visit clients outside of their schedules in order to shed light on social projects that they are working on. With the same interest in mind, Supplier Sam actively chooses not to work with clients who do not share the same ethical views as the company, further declaring that they have a good reputation among their clients and are able to influence sustainability efforts. Some employees even claimed that they chose to work in the industry because of the underdeveloped sustainability work claiming that small efforts can possibly make very large impacts. Builder Barbara is now aiming to be one of the leading organization in the industry when it comes to sustainability. Placing Builder Barbara and Supplier Sam next to each other there are many differences; they operate in different areas within the industry, they have clear difference when it comes to owner structure, and looking at the time that the organizations have actively been working with sustainability in general and further the SR there is a gap of seven years. While Builder Barbara have been working with SR since 2006 Supplier Sam are just taking its first throw. Despite the mentioned differences the respondents tend to reason in similar ways in regards to the SR. No one is expecting any major changes in their daily routines. Many employees even had to have the SR explained to them during the interviews as the information had not yet reached their departments. Respondents at Builder Barbara mainly referred to the fact that they already had existing routines for their current way of reporting and that the new SR law will not change any of those. At Supplier Sam, the common understanding was that they are looking into the new legislation and hoping that their current routines would be enough and that it would mean that they could use their time to improve current routines rather than having to create new ones.

I honestly don't think that this is something that Supplier Sam globally is so interested in and I don't think that we should make SR particularly remarkable – Sustainability Manager, Supplier Sam

It won't change at all, we have been working like this before, for many years and we are comfortable. I believe the we are meeting the requirements of the legislation already – Senior Vice President of Corporate Sustainability, Builder Barbara

A common pattern among the companies is the fact that they want to make sustainability a part of their core values and their so called organizational DNA. And although Builder Barbara has been actively working with sustainability over the last seven years and Supplier Sam is just starting, the end goal seems to be the same; the way of working should be sustainable rather than the companies running a sustainability project. Even though the strategies of achieving the widespread understanding within the companies differs there is the common denominator that the development is very person dependent. Both companies seem to have put their trust on one person for getting the work started though they are still claiming the this needs to be a part of everyone's daily activities.

Our sustainability manager has been the main driver, she wanted to get our organization to a new level before we would meet legal requirements so we have to thank her [...] – Head of social sustainability, Builder Barbara

It will be the task of our sustainability manager to see if we can do more of something [...] to see if we can find a target group that are as important both internally and externally – CEO, Supplier Sam

Neither Builder Barbara nor Supplier Sam have had any choice than to accept the challenge and start SR as the first one is to be submitted in January 2018. However, none of the organization seem to be particularly worried about the so called challenge, they hardly seem to view the SR legislation as a challenge at all.

## **Discussion**

In regards to the interpretation and utilization of SR, similarities and differences between the companies were apparent. Builder Barbara, a large company with established routines for SR since seven years had been anticipating the legislation for a long time and were not surprised, additionally they did not intend to make any major changes in their daily activities. Supplier Sam who had a one-page annual report was taking the first throw at SR, and had close to no established routines for the task and did not want to look at it as a big deal. Similarly to Builder Barbara, Supplier Sam did not intend to make any considerable changes to their daily activities. Helper Henrik on the other hand viewed themselves as an important player in regards to the new legislation and had made conscious efforts to create new routines to help the companies. In contrary to our expectations, the SR shone with its absence during the interviews. While Helper Henrik was fully aware of the requirements, some employees at

both Builder Barbara and Supplier Sam needed to have them explained. This made us question the significance of the SR for the companies. The recurring theme was that the vague nature of the legislation seemed to bring equally as vague answers to what was actually being done. The way that actors behaved regardless it being deliberate or not, made it difficult to determine whether the organizations would be maintained and/or disrupted (Lawrence and Suddaby, 2006). There was a common perception from the organizations that their sustainability efforts needed to be communicated in a broader sense in order to be part of the sustainability game. This in turn pointed to possible purposive actions that would develop the organizations and their way of working, even if they may be in unexpected ways (Lawrence et al., 2009). Some even argued that the legislation was just the right motivation to get the job started. However, no examples were given of how the job in practice would play out

Three key findings were identified during the analysis of the empirical material; organizational activities that represented two main logics, conflicting external and internal demands the organizations were facing, and how the organizations decided to answer to those demands.

***The Sustainability Logic and The Corporate Logic***

Kraatz and Block (2008) argue that many organizations today embody multiple logics where these logics could potentially be in conflict with one another, as a result institutional complexity is created. In the study two main logics were identified; the sustainability logic and the corporate logic (see table 2).

	<b>The Sustainability Logic</b>	<b>The Corporate Logic</b>
<i>In terms of why</i>	Greater good	Maximize profit, competition
<i>In terms of responsibility</i>	DNA	Top-Down
<i>In terms of benefit</i>	Benefit society	Benefit organization
<i>In terms of definition</i>	Vague	Precise
<i>In terms of time</i>	Continuous	Efficiency
<i>In terms of who</i>	Someone else	Us

Table 2

Both logics were characterized by different organizing principles, and required different behaviors from the companies. Sustainability was often explained as a greater good by the respondents, something that would benefit society both in the present and in the future. It further became clear that there has been an emerging sustainability logic in society in general. The sustainability logic can be described as a new logic in accordance with Reay and Hinings (2009). In addition, it is possible that the new logic that is introduced in a field can become the dominant logic and subsequently lead to guidance for existing field members (ibid). In this case however, arguing that the sustainability logic is becoming the dominant logic is premature, as no such signs have been revealed. McDonald, Cheraghi-Sohi, Bayes, Morriss and Kay (2013) suggest that different organizational activities reflect different logics rather than one logic being dominant. The sustainability logic was continuously referred to as emerging, yet somewhat established among the researched companies. The sustainable actions the companies engaged in were supported by arguments that could be explained

through corporate logics. The way the respondents were reasoning around sustainable activities was first and foremost as beneficial for their company rather than the society. The respondents were often unable to give examples of specific actions and it was apparent that sustainability was often difficult to define. Acting sustainably and communicating those actions could be seen as an opponent to the corporate logic, entailing driving the prices up and becoming an obstacle for profit maximization. Conflict can occur in organizations when a new logic is introduced to an established field, due to the challenging actors supporting the new logic meanwhile other actors supporting the old logic (Reay & Hinings, 2009). As seen for Builder Barbara and Supplier Sam, challenges existed because of the multiple institutional logics triggering internal tensions within the organizations (Battilana & Dorado, 2010). On the contrary, competing logics can co-exist and the rivalry between competing logics can be handled through the progress of collaborative relationships (Reay & Hinings, 2009). The results indicated that the sustainability logic and the corporate logic were intertwined and dependent on each other, meaning that in order to stay profitable, one had to act sustainably. Additionally, engaging in sustainable activities without the mindset of having them benefiting the organization was not preferable within the field of building and construction. This goes in line with Goodrick and Reay (2011) who suggest that logics coexist and do not have to compete within the same activity.

#### ***A) Conflicting external demands***

Both organizations tried to identify the receiver of the SR. The companies were facing increased pressures to not only work in a sustainable way but also to communicate the work to the public. This could be due to the nature of the industry where the companies operate and in a field where it is critical to work in a sustainable manner in order to stay competitive, or due to the increased awareness regarding sustainability that exists in the society as a whole. Furthermore, additional external demands came from municipalities and the state that had certain requirements, alongside individual customers' requirements or expectations. In addition, there was a common belief that potential customers were increasingly interested in sustainability activities, and respondents from all three organizations believed that customers in the future may want to look at SR in order to get an overview of organizations' sustainability activities. This however made us question if the SR with its vague nature could be useful as a tool for comparison between companies, causing a difference in interpretation when formulating the SR between companies. The example could be connected to Liesen et al., (2015) that argue that legal pressure, expectation from stakeholder, and mimetic pressure from industries have an impact on how the SR is generated. Even though both companies shared the perception of who was considered to be the receiver of their sustainability work, the customers and the society, this was not elaborated on further.

The connection between the increased demand from society, the customers and the SR legislation was not clear. The main aspect of difference in external demands between the two organizations was the stakeholders. Supplier Sam who was not listed on the stock market described their annual report as "a joke" and gave it minimum attention. As a result, Supplier Sam did not face the same external demand as Builder Barbara to produce an extensive report. Builder Barbara on the other hand had investors with clear interest in the performance of the company compared to Supplier Sam who did not have investors and as a result did not face

the same external demand. According to Feldman and Pentland (2003), external pressures to improve performance can cause changes in routines in organizations. Changes in routines are particularly apparent when the changes are provoked by unforeseen external pressure (Feldman, 2000; Feldman & Pentland, 2003). However, Builder Barbara has had external pressure by their stakeholders for a long time to improve their performance and transparency, and accordingly felt the need to start with SR before it became a legal pressure. It is suggested that some organizations such as high-status firms or highly visible organizations might be particularly targeted by stakeholders that advance specific logics (Greenwood et al., 2011), this could be seen with Builder Barbara, being stock-listed and one of the larger players in the industry and as a result faced more attention and demands from stakeholders.

### ***B) Conflicting internal demands***

One of the most recurrent demands that the studied companies were facing came from the internal organization. The study showed that the setup of the organization led to complexities in the sustainability work that the respondents were not prepared for or even aware of. The external and internal demands the companies were facing could be explained through institutional complexity. Both companies embodied multiple logics, for instance the sustainability logic and corporate logic as previously discussed. Scholars argue that organizations encounter institutional complexity whenever they face incompatible directions from multiple institutional logics (Pache & Santos, 2010; Greenwood et al., 2011; Pache & Santos, 2013). It became evident that there was an increased demand of transparency in regards to the companies' sustainability activities, that now also needed to be legally reported. However, several respondents in both organizations did not think that their employer had answered to the demands in a way that would meet the requirements or benefit the organization. This was further strengthened through examples provided by respondents from Supplier Sam, in which cases of successfully executed CSR projects had not been communicated to the public. The literature suggests that in order for companies to increase trust, it is essential to be transparent with the communication (Rawlins, 2008), something both Builder Barbara and Supplier Sam seemed to struggle with.

As discussed by Thornton (2004:70), institutional logics in this sense are seen as predominant sets of principles that suggest "how to interpret organizational reality, what constitutes appropriate behavior, and how to succeed". Furthermore, Greenwood et al., (2001) argue that to the extent that prescriptions of different logics are incompatible, they unavoidably face tensions and challenges for organizations that are exposed to them, as our case demonstrates. At Builder Barbara, employees directly involved in the SR provided a clear explanation of the content and emphasized its importance for the organization, however when speaking to employees not directly involved in the SR, there were some contradicting answers. There was indeed an awareness of the increased demand from customers and other external stakeholders, but they failed to connect the demands to the new legislation, or simply failed to understand the potential importance of SR. In this sense Builder Barbara was facing a paradox in regards to the sustainability work, experiencing conflicting directions from multiple institutional logics (Greenwood et al., 2011; Pache & Santos, 2013). The limited attention of the annual report that was given at Supplier Sam caused a worry by employees directly involved with the SR that it would receive similar lack of priority, consequently not

helping to solve the transparency problem. As stated by top management, not being directly involved in the SR process, it was only meant to represent a small part of the annual report, and was irrelevant as long as they would fulfill the legal requirements. Adams (2002) argues that absence of internal stakeholders leads to an incomplete SR. Similarly to Builder Barbara, a clear paradox can be identified for Supplier Sam. Respondents saw an increased demand from customers and there was a general perception that they were not transparent enough when it came to communicating their sustainability efforts, yet employees in charge did not think the new legislation would be the solution.

### ***Responding to the complexities***

The organizations had chosen to respond to the complexities in different ways depending on three factors. Firstly, the requirements of the SR were quite vague which was mirrored through the interviews when the respondents were asked to give specific examples of their work. Moreover, before the SR legislation, Builder Barbara had decided to already issue a SR as a part of the annual report for the last seven years. The SR legislation was shown to be quite indifferent to the researched companies. As both Builder Barbara and Supplier Sam explained how the new legislation would most likely not change any of their current routines, it was apparent that the SR was not something that was seen as either an obstacle nor a benefit. This can be understood through Pache and Santos' (2013) argument in regards to how individuals might not only simply resist or accept a new logic, they might also be indifferent or simply comply with it. Hence the nature of the demand that the companies were facing was an important aspect when looking at how the companies decided to respond (Pache and Santos, 2010).

Secondly, because of the scrutinized nature of the industry the companies found it necessary to develop strategies when dealing with conflicting demands in order to stay competitive (Jamali, 2010; Dashwood, 2012). However, there was a noticeable lack of concrete examples of strategies and awareness of those strategies throughout different levels at Supplier Sam and Builder Barbara. Both companies decided to initiate the sustainability work by pinning it on one person or project, hence segmenting it from the rest of organization although they expected it to be a part of their organizational DNA. Kraatz and Block (2008) suggest that organizations establish strategies with the attempt to eliminate the sources of conflicting institutional demands, where the demands are compartmentalized and dealt with independently in order to create institutional order. Returning to the absence of attention given to the new legislation, the respondents were often referring to sustainability engagements they would be involved in or changes they would initiate, although few examples of strategies were presented. According to Feldman and Pentland (2003) this is an example of organizational routines that stays in the ostensive aspect, i.e. abstract ideas of routines that have not yet been developed to performative aspects where routines are actually performed by specific people, in specific places, at specific times. The finding was further supported by Howard-Grenville et al. (2016) who argue that as long as routines are not enacted they are just empty commitments. Furthermore, in accordance with the finding that the vague nature of the SR law influenced the lack of specific actions from the companies, Howard-Grenville et al. (2016) argue that action in routines is influenced by relations that are structured between stakeholders involved.

Thirdly, the position in the industry most likely affected how the companies responded. As explained, Builder Barbara had foreseen the legislation and worked with the SR for a number of years and Supplier Sam was expressing a wish for moral and ethical partnerships with other companies in the industry. The predictability of complexity can allow organizations to learn how to respond and manage, moderating the challenges institutional complexity can cause (Greenwood et al., 2011). In addition, the different positions in the industry entail that the companies have different stakeholders with different interests and are furthermore required to respond to those interests accordingly. As the position in the organizational field determines the intensity and complexity the companies will experience (Pache & Santos, 2010; Greenwood et al., 2011), it could be seen as an explanation to the different approaches that the companies had towards the SR.

To sum up, both organizations had identified the existing demands coming from external and internal sources, but the interpretation and priority of those demands differed both within and between Builder Barbara and Supplier Sam. Recurring demands came from the internal organizations, but the setup of the organizations led to complexities in the sustainability work that the respondents were not prepared for or even aware of. It became apparent that not everyone had received the information about the SR, which could be an explanation to the different attitudes. However, a common perception among the respondents were that the SR and the adoption and communication of sustainability work would give them a strong competitive edge. In accordance with Dey (2007) and Frostenson et al. (2013), we argue that the lack of goal setting in regards to different environmental measurements made the SR more difficult and limits its potential. There are several aspects that we can identify in regards to the companies' approach to existing demands. The difference in size and the fact that one company is stock listed and the other one is not led to different pressure to communicate the sustainability work. Other complex factors arose, such as the interpretation of the SR, the extent of priority of the sustainability work and the importance of communicating it. Furthermore, the difference in the structure of the companies, and how information, or lack of it, was processed throughout different levels of the organizations was evident. When it came to Builder Barbara the customers had already shown interest of the SR which goes in line with Jennings and Zandbergen (1995), who argue that the strongest pressure is the one referred to as coercive pressure, that is, from governments or from other, more powerful, companies within an organizational field, forcing the less powerful ones to comply with certain behaviors (Meyer & Rowan, 1977; DiMaggio & Powell, 1983). In addition, Pache and Santos (2013) suggest that when people face competing institutional logics, they might respond on a micro-level with ignorance, compliance, defiance, combination or compartmentalization. In regards to how the companies were responding to the demands they were facing, SR was not referred to as an obstacle nor a challenge and the companies were not expecting to change any of their current routines. Actions that are explained by respondents are from an ostensive aspect (Feldman & Pentland, 2003) and the vague nature of the new legislation is an explanation to the vague answers in regards to any change of routines (Pache and Santos, 2010). It is in the future to find how the companies are actually responding to the demands as they today seem to be responding with empty commitments.



## Conclusion

As this part of the game is approaching the end it is time for an evaluation and conclusion. Limited time had been provided for researchers to address the current situation of SR and the consequences of the legal pressure that some companies were facing. This study explored the aspect of SR as an external demand for two companies. The aim was to investigate how the SR legislation was interpreted and responded to among the selected companies, this was fulfilled through answering three questions.

Firstly, it was revealed that the reason why companies engage in sustainability activities was because sustainability was seen as an inescapable qualifier to join the competitive game in the Swedish building and construction industry. In order to keep up with the development of the industry and the society, companies were more or less forced to be transparent with their sustainability work. Furthermore, the importance of communicating sustainability efforts was illustrated as the companies were facing increased demands from external and internal sources. The study also demonstrated a contradiction to the belief that competition was the single and most important reason to engage in sustainability activities. Legitimacy turned out to be an additional motivation to the sustainability work. This was further indicated as sustainability engagements were often described with big words, though no specific examples were given to support those words. Additionally, sustainable leaders of the industry were criticized by the chosen companies for using big, empty words in describing their own work.

Secondly, the study examined how the SR was responded to internally and externally which further gave answers related to the third question presented below. The external request for transparency fed the internal desire to be more transparent with sustainability activities. In regards to how the companies were responding to the demands they were facing, SR was not referred to as an obstacle nor a challenge and the companies were not expecting to change any of their current routines. Subsequently, the chosen companies as well as the organizational field required more work in order to reach the transparency demands as requested by stakeholders. This study contributes with Grahovar's (2016) call for additional research on how internal factors create inertia, flexibility, or insecurity in the creation of SR. Furthermore, it supported the notion that the most recurrent demand that companies were facing emerged from the internal organization.

Thirdly, the SR was acted upon and put into use in different ways. In accordance with Dey (2007) and Frostenson et al. (2013), we argued that the lack of goal setting in regards to different environmental measurements made the use of SR difficult and limited its potential. There was evidence that information asymmetry arose between different levels in the organizations which led to differences in knowledge, awareness, and expectations regarding sustainability activities and the new legislation. The companies were faced with multiple logics; the sustainability logic, "the greater good" and the corporate logic, "maximizing profit". This study promoted that the logics led to complexities that were responded to in various ways depending on position in the industry, internal structure, and current stage of implementing and utilizing SR. In terms of fulfilling the purpose of this study, how the SR legislation is interpreted and responded to, the vague nature of the law itself seemed to cause practical implications. There was a lack of connection between adopting SR and gaining a

competitive edge as the guidelines for the report were unclear. This in turn led to minimized importance of SR as a source to succeed or improve daily operations.

The study took off with an imagined soccer game where multiple players were involved, however, throughout the study it became difficult to concretize which team the different players were supporting. The coaches and the players were not on the same page about the strategy on how to play the game. For the next part of the game, hence the actual delivery of the SR, the companies will see whether the SR will prove to bring value to their organizations.

## **Implications and further research**

A central implication of the study is that SR has just gained legal status in Sweden, and there is currently no precise definition of what it is that needs to be reported, or to whom specifically it is reported to. Consequently, the prematurity of the subject is recognized as the first report is not due until 2018. Further research is required in terms of looking at the effect and aftermath of implementing SR. Thus seeing the long term consequences for the organizational field, for companies in terms of the internal organization and whether it will contribute to sustainable solutions in the long run.

## **References**

- Adams, C. A. (2002). *Internal organisational factors influencing corporate social and ethical reporting: Beyond current theorising*. Accounting, Auditing & Accountability Journal, 15; 223-250.
- Ahlstrand, H. (2016). *Nya Hållbarhetslagen gäller från den 1 december 2016*. Retrieved December 8, 2016, from [www.hallbarhetslagen.se](http://www.hallbarhetslagen.se)
- Armstrong, G., & Gilge, C. (2016). *Building a technology advantage*. Retrieved December 10, 2016, from [www.assets.kpmg.com](http://www.assets.kpmg.com)
- Battilana, J. & D'Aunno, T. (2009). *Institutional work and the paradox of embedded agency*. In Lawrence, T., Suddaby, R., & Leca, B., (eds.) *Institutional Work: Actors and Agency in Institutional Studies of Organizations*. Cambridge: University Press pp. 120-141.
- Battilana, J. and Dorado, S. (2010). *Building sustainable hybrid organizations: the case of commercial microfinance organizations*. Academy of Management Journal, 53:6, 1419–1440.
- Chung, C., & Luo, X. (2008). *Institutional logics or agency costs: The influence of corporate governance models on business group restructuring in emerging economies*. Organization Science, 19:5, 766–784.
- Connheim, K. (2011, March 7). *Stark kritik mot byggbranschen*. Byggnadsarbetaren. Retrieved March 26, 2017.

- Dashwood, H.S. (2012). *CSR norms and organizational learning in the mining sector*, *Corporate governance: The international journal of business in society*, 12:1, 118-138.
- Delmas, M. & Toffel, M.W. (2004). *Stakeholders and Environmental Management Practices: An Institutional Framework*. *Business Strategy and the Environment*, 13:1, 209-222.
- Delmas, M. & Toffel, M. W. (2008). *Organizational Responses to Environmental Demands: Opening the Black Box*. *Strategic Management Journal*. 9:10, 1027-1055.
- DiMaggio, P. J., & Powell, W. W. (1983). *The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields*. *American Sociological Review*, 48, 147–160.
- European Parliament, European Commission (2014). *Improving corporate governance Europe's largest companies will have to be more transparent about how they operate*. Retrieved December 8, 2016, from [www.europa.eu](http://www.europa.eu)
- Feldman, M. (2000). *Organizational Routines as a Source of Continuous Change*. *Organization Science*, 11:6, 611-629.
- Feldman, M. & Pentland, B. (2003). *Reconceptualizing Organizational Routines as a Source of Flexibility and Change*. Johnson Graduate School, Cornell University.
- Flyvbjerg, Bent (2006). *Five Misunderstandings About Case-Study Research*. Sage Publications, 12:2.
- Grahovar, M. (2016). *Hållbarhetsredovisningens innehåll; Vad har en inverkan på hur hållbarhetsredovisningens innehåll upprättas?* Doctoral dissertation, Göteborgs Universitet, Handelshögskolan.
- Glaser, B.G., & Strauss, A. (1967). *The discovery of grounded theory*. Chicago: Adine
- Goodrick, E., & Reay, T. (2011). Constellations of institutional logics: changes in the professional work of pharmacists. *Work and Occupations*, 38, 372e416.
- Greenwood, R., Oliver, C., Sahlin, K., & Suddaby, R. (2008). *Introduction*. In *The Sage handbook of organizational institutionalism*. London: Sage, 1-46.
- Greenwood, R., Raynard, M., Kodeih, F., Micelotta, E. R. & Lounsbury, M. (2011). *Institutional complexity and organizational responses*. *The Academy of Management Annals*, 5:1, 317-371.

Hargreaves, A., & Fink, D. (2006). *Sustainable Leadership* (1st ed.). San Francisco, CA: John Wiley and Sons, Inc.

Hoffman AJ. (2001). *Linking organizational and field-level analyses – the diffusion of corporate environmental practice*. *Organization and Environment* 14: 133–156.

Holm, P. (1995). *The dynamics of institutionalization: transformation processes in Norwegian fisheries*. *Administrative Science Quarterly*, 40: 398-422.

Howard-Grenville, J., Rerup, C., Langley, A. & Tsoukas, H., (2016). *Organizational Routines, How They are Created, Maintained, and Changed*. Oxford University Press 2016, New York.

Jamali, D. (2010). *MNCs and International Accountability Standards Through an Institutional Lens: Evidence of Symbolic Conformity or Decoupling*. *Journal of Business Ethics*, 95:617- 640.

Jennings, P., & Zandbergen, P., (1995). *Ecologically sustainable organizations: An institutional approach*. *Academy of Management Review*, 2014: 1015-1052.

King, B.G., Felin, T., & Whetten, D.A. (2010). *Finding the organization in organization theory: A Meta-Theory of the organization as a social actor*. *Organization Science*, 21(1), 290–305.

Kratz, M. & Block, E. S. (2008). *Organizational implications of institutional pluralism*. *The SAGE Handbook of Organizational Institutionalism* 2nd Edition: 243-325.

Kraatz, M. (2009). *Leadership as institutional work: a bridge to the other side*. Cambridge University Press, 59-91.

Larrinaga-Gonzalez & Bebbington, J. (2001). *Accounting change or institutional appropriation? A Case Study of the Implementation of Environmental Accounting*. *Critical Perspectives on Accounting*, Volume 12, 269-292.

Lawrence, B. T. & Suddaby, R. (2006). *Institutions and Institutional Work*. *Sage Handbook of Organization Studies*, 2nd Edition: 215-254. London: Sage.

Lawrence, T., Suddaby, R. & Leca, B. (2009). *Institutional Work, Actors and Agency in Institutional Studies of Organizations*. Cambridge: Cambridge University Press.

Lawrence, B. T., Leca, B. & Zilber, B. T. (2015). *Institutional work: current research, new directions and overlooked issues*. *Organization Studies*, 8:34, 1023-1033.

- Liesen, A., Hoepner, A. G., Patten, D. M. & Figge, F. (2015). *Does stakeholder pressure influence corporate GHG emissions reporting? Empirical evidence from Europe*. *Accounting, Auditing & Accountability Journal*, 28, 1047-1074.
- Lounsbury, M. (2001). *Institutional sources of practice variation: Staffing college and university recycling programs*. *Administrative Science Quarterly*, 46: 29-56.
- Magnusson, F. (2015, December 7). *Byggbranschen förändrades av Rhoca Gil-skandalen*. SVT Nyheter. Retrieved March 26, 2017.
- Martin, P. & Turner, B. (1986). *Grounded Theory and Organizational Research*. *Journal of Applied Behavioral Science*. Vol. 22.
- McDonald, R., Cheraghi-Sohi, S., Bayes, S., Morris, R., & Kai, J. (2013). *Competing and coexisting logics in the changing field of English general medical practice*. *Social Science & Medicine*, 93, 47-54. Retrieved May 23, 2017.
- McPherson CM & Sauder M (2013). *Logics in action: Managing institutional complexity in a drug court*. *Administrative Science Quarterly* 58:2, 165–196.
- Meyer, J.W., and Rowan, B. (1977). *Institutionalized Organizations: Formal Structure as Myth and Ceremony*. *American Journal of Sociology*, 83:2, 340.
- Miljönytta (2016, March 29). *Ett hållbart byggande i världsklass*. Retrieved March 26, 2017, from <http://miljonytta.se/branscher/byggindustrin/>
- Ofori, S. & Ansahh, S. K. (2014) *Impacts of construction activities on the environment: The case of Ghana*. Retrieved January 15, 2017 from <https://www.academia.edu>
- Pache, A., & Santos, F. (2010). *When worlds collide: The internal dynamics of organizational responses to conflicting institutional demands*. *Academy of Management*, 35:3, 455-476.
- Pache, A., & Santos, F. (2013). *Embedded in Hybrid Contexts: How Individuals in Organizations Respond to Competing Institutional Logics*. *Research in the Sociology of Organizations*, 39B, 3-35.
- Rawlins, B. R. (2008). *Measuring the relationship between organizational transparency and employee trust*. *Public Relations Journal*, 2, 1-21.
- Reay, T. & Hinings, C. R. (2009). *Managing the Rivalry of Competing Institutional Logics*. *Organization Studies*, 30; 629.
- Scott, W.R. (2001). *Institutions and Organizations*, 2<sup>nd</sup> edn. London: SAGE.

Seo, M-G. & Creed, D. (2002). *Institutional Contradictions, Praxis, and Institutional Change: A Dialectical Perspective*. *The Academy of Management Review*, 27:2, 222-247.

Silverman, D. (2013). *Doing Qualitative Research*. Fourth edition. London: SAGE.

Smets, M. & Jarzabkowski, P. (2013). *Reconstructing institutional complexity in practice: a relational model of institutional work and complexity*. Sage Publications: Human Relations, 66:10, 1279-1309.

Statistiska Centralbyrån (SCB) (2014). *Sysselsatta i byggindustrin (RAMS)*. (Sveriges officiella statistik). Retrieved March 26, 2017 from <http://www.scb.se>

Statistiska Centralbyrån (SCB) (2016, December 14). *Fortsatt jämn tillväxt i ekonomin*. Retrieved March 26, 2017, from <http://www.scb.se>

Sveriges Byggindustrier (2016). *För en attraktiv byggbransch*. Retrieved March 26, 2017 from [https://www.sverigesbyggindustrier.se/om-oss/uppdrag-och-mal\\_\\_137](https://www.sverigesbyggindustrier.se/om-oss/uppdrag-och-mal__137)

Thornton, P. (2004). *Markets from Culture: Institutional Logics and Organizational Decisions in Higher Education Publishing*. Stanford, CA: Stanford University Press.

United Nations (2015). Sustainable Development [Cong. Res. A from 70 Cong., 1 sess.]. Retrieved January 29, 2017, from <http://sustainabledevelopment.un.org>

United Nations (2016). *Global Sustainable Development Report 2016*, Department of Economic and Social Affairs, New York, July.

Watson, T. (2011). *Ethnography, Reality, and Truth: The Vital Need for Studies of "How Things Work" in Organizations and Management*. *Journal of Management Studies*, 48:1, 202-217.

Westlund, P., Brogren, M., Byman, K., Hylander, B., Kellner, J., Linden, C., Winberg, F., (2014). *Klimatpåverkan från byggprocessen (Rep.)*. Kungl. Ingenjörsvetenskapsakademien (IVA).

Willmott, H. (2011). *"Institutional Work" for What? Problems and prospects of institutional theory*. *Journal of Management*, 20:1, 67-72.

World Commission on Environment and Development (WCED) (1987). *Our Common Future*, United Nations, New York, NY.