

# Materiality Matters: Unraveling the Impact of Double Materiality in Swedish Corporate Sustainability

Elias Svensson  
Södertörn University  
Supervisor: Cecilia Gullberg  
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## **Abstract**

The evolution of sustainability reporting demands increased transparency and scope. A pivotal aspect of this process is the determination of materiality for disclosure. The European Union, through its latest enactment, the European Sustainability Reporting Standards (ESRS), has refined the interpretation of materiality criteria. This regulatory development motivates this study, which aims to explore the implications of the double materiality assessment (DMA). Specifically, investigating how the DMA is strategically utilized and if the generated output could lead to change in companies' governance, operations, and practices.

To investigate this, the study examines eight Swedish companies across various industries, among the early adopters of ESRS. These companies serve as the focal point of the case study, utilizing a qualitative research approach where insights are derived from semi-structured interviews with key representatives of these firms. A conceptual framework, drawing from dynamic capabilities and institutional theory, help identifying patterns and themes related to dynamic skills and isomorphic tendencies.

The study reveals how the DMA shapes companies' sustainability focus and operations. It enhances internal and external discussions, promotes sustainability awareness among colleagues, and facilitates knowledge sharing. The DMA emphasizes supplier transparency, fosters stakeholder engagement, and influences sustainability strategies, leading to organizational restructuring. Additionally, the study highlights the reliance on external consultants for DMA execution, reflecting resource constraints or regulatory complexity. Professional audits expedite compliance efforts but raise concerns about internal resource adequacy for sustainability reporting practices amidst new disclosure mandates.

## **Keywords**

Double materiality assessment (DMA), European Sustainability Reporting Standards (ESRS), strategic management, change management, dynamic capabilities, institutional theory.

# Table of Contents

<b>1. Introduction .....</b>	<b>6</b>
1.1. Background .....	6
1.2. Problematization.....	10
1.3. Research Aim .....	12
1.4. Research Question.....	12
<b>2. Literature Review.....</b>	<b>13</b>
2.1. Deciding what is material.....	13
2.2. More than an assessment for the sustainability report .....	16
<b>3. Theoretical background.....</b>	<b>20</b>
3.1. Dynamic capabilities .....	20
3.1.1. Sense.....	22
3.1.2. Seize .....	22
3.1.3. Transform .....	23
3.2. Institutional theory .....	23
3.2.1. Complying with regulations .....	24
3.2.2. Confirming to expectations .....	24
3.2.3. In pursuit of best practice .....	24
3.3. Applying the theories in practice .....	25
<b>4. Methodology .....</b>	<b>28</b>
4.1. Research Approach.....	28
4.2. Research Strategy .....	28
4.3. Selection of Representatives .....	29
4.4. Designing the interviews.....	30
4.4.1. The interview questions .....	30
4.4.2. The preparation .....	31

4.5.	Collecting and processing the data.....	32
4.5.1.	During: Conducting the interview.....	32
4.5.2.	After: Processing the data .....	32
4.6.	Ethical considerations .....	35
4.7.	Was the case study well measured?.....	35
4.7.1.	Validity .....	36
4.7.2.	Reliability.....	37
<b>5.</b>	<b>Results .....</b>	<b>38</b>
5.1.	General Observations .....	38
5.2.	Sense and shape impacts, risks, and opportunities through... ..	40
5.2.1.	Vision .....	40
5.2.2.	Involvement.....	41
5.2.3.	Knowledge and Awareness.....	42
5.2.4.	A Wider Scope.....	43
5.2.5.	Collaborations .....	45
5.3.	Seizing the identified through... ..	46
5.3.1.	Areas of Responsibility .....	46
5.3.2.	Routines and Processes .....	47
5.3.3.	Strategy.....	49
5.3.4.	Supplier Knowledge .....	50
5.3.5.	External Resources .....	50
5.4.	Transforming .....	51
<b>6.</b>	<b>Discussion.....</b>	<b>52</b>
6.1.	Sensing .....	52
6.1.1.	Higher Presence of Sustainability .....	52
6.1.2.	Addressing The Resource-Intensive DMA .....	53
6.1.3.	Forming The Foundation for Competition .....	54
6.2.	Seizing.....	55
6.2.1.	Driving Organizational Change.....	55

6.2.2.	The Dynamic Infrastructure .....	56
6.2.3.	Shaping The Future .....	57
6.2.4.	Driving Real Impact for Suppliers .....	58
6.2.5.	The Normative Way of Sustainability Related Activities.....	59
6.3.	Transformation Within Reach .....	60
<b>7.</b>	<b>Conclusions .....</b>	<b>61</b>
<b>8.</b>	<b>Suggestions for future research.....</b>	<b>62</b>
<b>9.</b>	<b>References .....</b>	<b>63</b>
	<b>Appendix A – Information sheet to interviewees.....</b>	<b>71</b>
	<b>Appendix B – The interview-guide .....</b>	<b>72</b>

# **1. Introduction**

The first chapter, starting with the background, presents current sustainability reporting and its requirements, highlighting how antecedents influence businesses to become more sustainable. This is followed by the presentation of the study's aim and research question.

## **1.1. Background**

The year is 2024, and we live in an era where sustainability shapes the business landscape. Demands, preferences, and regulations from consumers, suppliers, and legislators, work to ensure that the market is dynamic and continually evolving to enhance future possibilities (Doppelt, 2017) and to meet the United Nations (UN) Sustainable Development Goals (Sachs, Schmidt-Traub, Mazzucato, Messner, Nakicenovic, & Rockström, 2019). The relevance of sustainability-information increases naturally as the group of users, scope, degree of responsibility, and frequency of auditing such information expand (Baumüller & Sopp, 2022; Kha, 2022; She, 2022). This evolution has resulted in an increased demand for sustainability reports and corporate disclosure of social, environmental, and economic impacts from business operations (Baboukardos, Gaia, Lassou & Soobaroyen, 2023). Furthermore, sustainability reports have come to be even more in focus when proven to drive organizational change (e.g., Aureli, Del Baldo, Lombardi & Nappo, 2020; Lozano, Nummert & Ceulemans, 2016) and contribute to sustainable impacts (e.g., Christensen, Hail & Leuz, 2021).

In the time different organizational and environmental antecedents are currently and increasingly influencing the reporting landscape (Hahn, Reimsbach & Wickert, 2023), one of the most significant antecedents influencing the way companies disclose their sustainability practices applies to the standards and regulations that govern them (Christensen et al., 2021). The primary objective of mandatory sustainability reporting is to further enhance transparency, and ultimately fostering tangible and sustainable improvements in a company's sustainability performance (Hahn et al., 2023). While sustainability reporting has been proven to sustainably improve organizational performances such as supply chain due diligence (She, 2022), enhanced sustainability reporting practices (Aureli et al., 2020; Ioannou & Serafeim, 2017; Lozano et al., 2016), improved stakeholder dialogue (Aureli et al., 2020; Blanco, Caro & Corbett, 2017; Christensen et al., 2021; She, 2022), lower cost of equity (Zhou, Simnett & Green, 2017), employee and workplace safety (Christensen, Floyd, Liu & Maffett, 2017) and perhaps the most

important effect for earth, a decrease of carbon emissions (Chen, Hung & Wang, 2018; Downar, Ernstberger, Reichelstein, Schwenen & Zaklan, 2021; Tomar, 2023), it's not surprising that regulators aim to speed up this development of the sustainability reporting practices and guidelines.

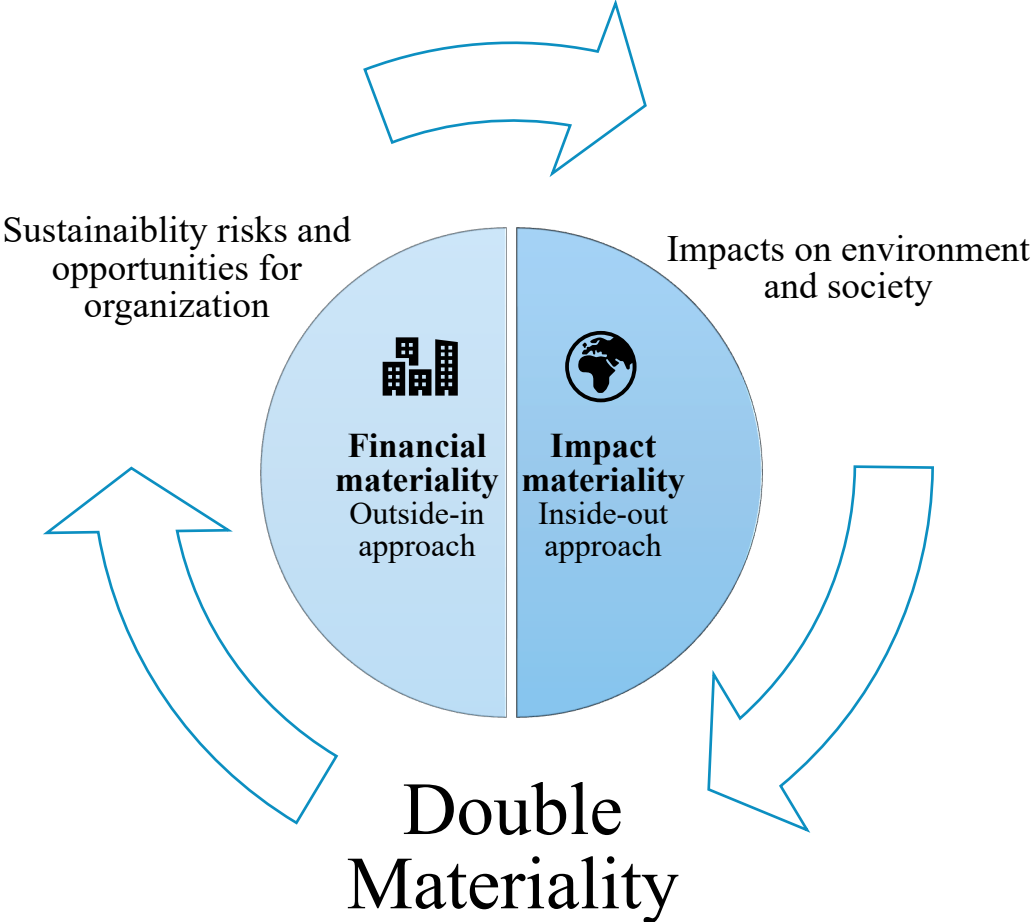
Starting from fiscal year 2024, the first group of European companies will be required to comply with the new Corporate Sustainability Reporting Directive (CSRD) including the European Sustainability Reporting Standards (ESRS) developed by the European Financial Reporting Advisory Group (EFRAG). However, the Swedish government has postponed the legislative changes, under the directive, to take effect on July 1, 2024, providing companies with additional time to prepare (Government Offices of Sweden, 2024). Regardless, the standards will uncover companies' Environmental, Social, and Governance (ESG) issues providing investors with better information and knowledge to understand the ESG impacts from which they invest (European Commission, 2023a). Baumüller and Sopp (2022) explain the regulatory development of ESRS as a result of the Paris Agreement and the signing of the UN Sustainable Development Goals in 2015. Continuously, the standards have been developed in consultation with the International Sustainability Standards Board (ISSB) and the Global Reporting Initiative (GRI) to ensure a high degree of interoperability between EU and global standards, aiming to prevent unnecessary double reporting by companies (European Commission, 2023a). Furthermore, a key requirement of forthcoming ESRS-compliant reports is that their content must be reviewed by an independent third party (ESRS 1, 2023). At last, the standards of ESRS takes a new perspective in form of inside-out and outside-in, considering the companies' impact on the society and environment at large and how these, in turn, affect the company financially (EFRAG, 2023). This new approach therefore acknowledges the financial part of sustainability reporting through social and environmental considerations and how these significantly may impact a company's long-term viability and reputation (Jørgensen, Mjøs & Pedersen, 2022).

Considering this new approach and the impact perspective, information is regarded material and to be reported on if the organization is associated with actual or potential significant impact on people or the environment, related to the sustainability topic over time (EFRAG, 2023). On the other hand, EFRAG (2023) defines a sustainability topic as financially material and to be reported on if it causes impacts on organization, such as risks or opportunities, affecting or



likely to affect future cash flows and the enterprise value over time. In addition to identifying areas that companies believe material for their operations grounded on the ESG, companies will need to disclose their governance and strategy addressing these specific material topics, the related impact, risks and opportunities, as well as their current progress and goals (ESRS 1, 2023). This enlarged approach of inside-out and outside-in is defined as double materiality and described as the union of impact materiality and financial materiality (EFRAG, 2023). According to the European Commission (2023b), the updated materiality framework will provide stakeholders with essential data on companies to evaluate investment risks arising from social and environmental issues, and on the impact of their activities on people and the environment. This described union is visualized below in Figure 1.

**Figure 1.** A self-designed overview of ESRS and the double materiality.



When determining materiality, reporters must identify and prioritize relevant topics that are significant enough for reporting while acknowledging that not all material topics carry equal importance (GRI, 2018). This materiality assessment is commonly considered as the fundamental and first step of sustainability reporting (Machado, Dias & Fonseca, 2021; Torelli, Balluchi & Furlotti, 2020) and serve as a stakeholder-driven exploration, guiding the prioritization of topics to include in the sustainability report (Calabrese, Costa & Rosati, 2015). Moreover, sustainability business practitioners seem to claim that the assessments inform more than the topics to include within reports but also set the ground for the organizations' sustainability strategy (Jørgensen et al., 2022). The output of the new *double materiality assessment* (DMA) should indicate areas where the complying company have a significant impact or could facilitate ESG-transformation, as well as areas that should be monitored for compliance according to key stakeholder perspectives (EFRAG, 2023). As the distinction between sustainability and financial implications have become increasingly blurred, the concept of double materiality has been well-received among its proponents (Baumüller & Sopp, 2022; Jørgensen et al., 2022; Xie, Tanaka, Keeley, Fujii, Hidemichi & Managi, 2023). The reason for this may be the expansion to double materiality which offers a holistic viewpoint about the reporting company that aligns with the concerns of a wider range of stakeholders (Jørgensen et al., 2022).

Ultimately, the refined sustainability report requirements are in all intended to bring a substantial impact on driving real sustainable change (Hahn et al., 2023). But, despite the emphasis on the perceived advantages of expanding the reporting scope, there is a need to carefully consider the complexity with all its additions and not just blindly focus on the positive aspects (Wagenhofer, 2024). Baumüller and Sopp (2022) advise to pay more attention to the costs involved in massive regulatory development and the extent to which they can be outweighed by the benefits of the upcoming transformations. Greater responsibility requires further resources wherefore researchers questioning the development of whether companies and investors actually utilize the information gathered from their mapping and reporting activities (Andersson & Arvidsson, 2023). The question is asked at the same time as multiple consulting firms (Deloitte, 2023; Ernst & Young, 2023; KPMG, 2023; PwC, 2023) advice companies to take advantage of the new sustainability reporting requirements and see them as an opportunity to create value and foster competitive advantage. While numerous studies have delved into the

repercussions of sustainability reporting regulation, the most recent and forthcoming European regulations of CSRD are anticipated to exert an unparalleled impact on reporting practices worldwide (Baboukardos et al., 2023). And with continuous regulatory initiatives which poses challenges and opportunities in an emerging field such as sustainability reporting it thus arise need for further research (Hummel & Jobst, 2024; Mahmood & Uddin, 2021)

## **1.2. Problematization**

The comprehensive framework of the CSRD is said to create value beyond reporting, likely due to its incorporation of requirements for a more holistic approach, combined with disclosure concerning governance and strategy, as well as the evaluation of material topics based on impacts, risks, and opportunities (ESRS 1, 2023). In research, sustainability reporting is often associated with a sustainability strategy, leadership changes, a commitment to achieve higher levels of sustainability implementation, and participation in sustainability or multi-stakeholder initiatives (Hahn et al., 2023). Moreover, legal compliance known to serve as an external compelling force, pressuring companies towards corporate sustainability (Engert, Rauter & Baumgartner, 2016; Lozano, 2015). The new standards and the present heightened awareness of sustainability reporting among the recipients will consequently put pressure and demand companies to develop and reshape their sustainability practices (Baumüller & Sopp, 2022; Wagenhofer, 2024). But despite this external pressure, there appears to be resistance. When it comes to reality many companies only succeed to implement corporate sustainability initiatives primarily at an operational level, rather than fully integrating it across all business aspects (Engert et al., 2016). Furthermore, within business practice, new initiatives are rather often initiated at lower management levels, and only if proven successful, top management typically accepts and supports these initiatives (Baumgartner, 2014). Transforming and incorporating sustainability requires driving forces, with key drivers for corporate sustainability commonly identified as leadership and top management (Bello-Pintado, Machuca & Danese, 2023; Kitsis & Chen, 2021; Lozano, 2015). However, recent research shows how top management of Swedish firms demonstrated low active engagement regarding assessing climate-related risks (Andersson & Arvidsson, 2023). Could legal compliance for CSRD with connected processes, which includes transparency regarding corporate governance and management linked to the sustainability topics deemed as material (ESRS 1, 2023), add additional pressure towards the corporate key drivers for sustainability to be more involved?

As sustainability reporting requirements have proven to generate sustainable effects, the research area continues to be compelling, especially as new and additional requirements are introduced. Hence there is a need for more research to investigate organizational effects of sustainability reporting and to explore what factors accelerate, slows down or even blocks this process (Hahn et al., 2023). The process represents the actors outside and inside of the complying companies affecting organizational strategies, practices, and procedures based on sustainability reporting requirements such as CSRD (Hahn et al., 2023). However, internal effect within organizations is interpreted to be less emphasized where prior debates and research primarily focus on external environmental and social effects. Thereto, Kaspersen and Johansen (2023) ask for future research to explore the backstage of materiality assessment processes to expose the considerations and motivations underlying sustainability reports. This exploration would offer a deeper insight into the internal and external factors influencing the selection of materiality and subsequent report generation (Kaspersen & Johansen, 2023). Further on, Baboukardos et al. (2023) and Jørgensen et al. (2022) suggest future research to focus on the processes and operationalization of double materiality principles within companies and how this will be reflected in their upcoming reports. Overall, there is a demand to examine current regulatory changes and corporate compliance to better understand organizational and governance practices within firms (Baboukardos et al., 2023; Jørgensen et al., 2022).

The topic in hand together with the call for future research provide the opportunity to approach companies who comply with ESRS and explore how these companies utilize the concept of DMA. The newly adopted concept of DMA is the underlying and most central part of the new standards of ESRS under CSRD and would therefore be intriguing to investigate how compliant companies embrace this assessment and integrate it into their operational practices (Baboukardos et al., 2023; Jørgensen et al., 2022). The utilization in this study will represent how the backstage of producing sustainability reports may look like by exploring companies underlying considerations and motivations (Kaspersen & Johansen, 2023). It will further explore in what way the assessment and its output are being used and affecting organizational strategies, practices, and procedures (Hahn et al., 2023). This exploration may hopefully provide insights in which capacity complying companies chose to follow the new sustainability reporting regulations and to what level this affects the business. The aim and research question of this study is therefore defined as follows.

### **1.3. Research Aim**

The aim of this study is to explore how the institutional driven process of DMA is strategically utilized and if the generated output could lead to change in companies' governance, operations, and practices.

### **1.4. Research Question**

How are companies internally affected by the work with and from the DMA?

## **2. Literature Review**

The following literature review presents and discusses the materiality assessment, followed by how the output could be utilized for internal change.

### **2.1. Deciding what is material**

Up until recent years, sustainability reporting has been more or less voluntary (Baboukardos et al., 2023; Christensen et al., 2021). It is therefore not surprising that the reporting has resulted in shortcomings, as companies have had freedom to choose what they interpret as material to disclose in their reports (Baboukardos et al., 2023; Christensen et al., 2021; Diouf & Boiral, 2017; Eriksson-Zetterquist, Hansson & Nilsson, 2020; Hahn et al., 2023; Machado, Dias & Fonseca, 2021). It has also led sustainability reports being used for purposes of social legitimacy, highlighting companies' positive aspects rather than being fully transparent (Christensen et al., 2021; Diouf & Boiral, 2017). Given the central association of the topic with sustainability reporting today, it feels important to mention. However, this type of negative use of sustainability reporting is not something this study will focus on, but rather the opposite: how companies choose to leverage sustainability reporting and its practices for a sustainable competitive advantage.

For being able to achieve the highest possible level of alignment between all stakeholders' interests, the company need to implement a materiality analysis (Torelli et al., 2020). The materiality analysis is an assessment tool known for enabling companies to appropriately define the content of their sustainability reports (Calabrese et al., 2015). It involves companies familiarizing themselves with their environment and understanding how their operations impact environmentally, socially, and economically (Torelli et al., 2020). The materiality analysis may therefore provide applying companies with awareness of their current environment, market, and stakeholders. But, beyond being a fundamental part of prioritizing various stakeholders' interests, the foundation can be further used for companies' governance and strategic plans (Font et al., 2016). Integrating sustainability aspects into a company's planning, processes, and activities is essential for effective corporate sustainability management (Baumgartner, 2014), where the DMA may be a valuable tool for the user to deepen their knowledge with the help of ESRS (2023) regarding impacts, risks, and opportunities. We may therefore assume that a fulfilled DMA will enhance a company's environmental knowledge and provide the receiver

with information ready to utilize. While this study aims to address how companies choose to utilize their DMA it will not focus on the actual processes determining whether a subject falls under each materiality category or not, but rather on its output and how it is exploited.

Recent research has shown how mandatory sustainability reporting have the potential of improving information to stakeholders (Christensen et al., 2021). However, conducting a materiality analysis is not self-evident. Unlike preparing the financial report, sustainability requires broader democratic legitimization with input from various stakeholders, reflecting on societal values and concerns (Christensen et al., 2021). The implementation of what is material thus becomes very comprehensive, and for multinational organizations, a decentralized structure may be preferred to incorporate input from key stakeholders across the entire value chain. Bello-Pintado et al. (2023) analyzed the relationship between stakeholder pressures and organizational sustainability practices and found that top management, employees, and customers are shown to be the most important stakeholders for adoption and implementation of sustainability practices. Thus, Bello-Pintado et al. (2023)'s results show a clear indication that those with the most important input and impact on the business are those closest to the day-to-day operations, which is also consistent with the findings of other recent studies (Andersson & Arvidsson, 2023; Aureli et al., 2020; She, 2022). Since stakeholders' interests can vary rapidly, companies need to be responsive (Christensen et al., 2021) and by pushing the processes of information-gathering all the way out to local operations, organizations may receive a more accurate and representative contextual input (Bello-Pintado et al., 2023). Based on this argumentation, the optimal DMA should include discussions and meetings involving internal and external day-to-day stakeholders. Bello-Pintado et al. (2023) further encourages training and education for employees in sustainable behavior to develop sustainability skills that enhance their proactivity in adopting and implementing sustainable practices.

A study by Andersson and Arvidsson (2023) investigated how Swedish companies' map and report on climate-related financial risks. This could be understood as the outside-in perspective of the DMA. With help of a method-triangulation of internal conversations and analyzed external available information the researchers' findings indicate that companies need more assistance and guidelines in how to map and disclose climate-related risks (Andersson & Arvidsson, 2023). A direction of development which potentially could come along the

implementation of CSRD. Furthermore, the researchers push for a greater involvement from the group management and the board of directors to get directly involved in mapping, risk-assessment, and risk-handling processes. This is because their findings show that only a small fraction of companies is extensively engaged in managing climate-related risks and thoroughly understand its implications. Although, based on internal information, the knowledge and awareness of many climate-related risks and their mapping are perceived to be more detailed than what is presented in their externally available materials (Andersson & Arvidsson, 2023). Christensen et al. (2021) show how mandatory regulations may have two effects on organizations depending on whether they already possess the essential information to be reported on or whether the regulations force disclosure of new information, which could significantly impact the company. The former scenario is more about the regulations aiding and demonstrating how organizations should be transparent in their reporting, which often does not require much additional work (Christensen et al., 2021). According to Andersson and Arvidsson (2023) conclusion, they suggest that Swedish companies possess greater knowledge about climate-related risks than what is evident in their externally available material (i.e. corporate reports). Whether intentional or not, the advanced DMA will require companies to enhance transparency, potentially disclosing information they already possess, to the public due to CSRD requirements on what is material. In the latter case, if the company lacks essential information, it will thus initiate a process of gathering necessary data, which can have both positive and negative consequences evolving into mitigating information asymmetries, disclosing unfavorable CSR information, fostering positive spillover effects, achieving market-wide cost savings, and enhancing comparability benefits (Christensen et al., 2021). Andersson and Arvidsson (2023) emphasize that companies with prior experience in reporting under previous sustainability reporting guidelines are more inclined to undertake scenario planning, prioritize long-term considerations, and collaborate with external partners to thoroughly assess potential economic, social, and political risks associated with climate change. This thus suggests that companies with robust climate-related risk management (disclosed or not) and a higher-level sustainability reporting will be well-prepared when conducting the DMA, i.e., not encountering many surprises. And if not, eventually more drastic change as discussed in the next section could follow.



To summarize, the featured section emphasizes the importance of materiality assessments in guiding sustainability reporting content and governance decisions, suggesting its role in aligning stakeholder interests and enhancing corporate sustainability management. The section delves into recent research on mapping financial risks, advocating for greater management involvement and transparency in risk assessment and reporting. Moreover, the section examines the potential impact of mandatory regulations on organizations' reporting practices and the benefits of prior experience in sustainability reporting for effectively assessing risks and conducting the DMA.

## **2.2. More than an assessment for the sustainability report**

When conducting a DMA, one may wonder why not do it wholeheartedly, seize the opportunity as much as possible? This is a question consulting firms are posing to all their potential clients preparing for CSRD. As a result of new regulations, this mentioned industry benefits from uncertain and confused companies that soon should comply to CSRD. So, is it possible to leverage the regulations and timing to create value? Lu, Liu, and Falkenberg (2022, p. 496) argue that effective sustainability reporting creates value “beyond a company’s reputation for managing social and environmental concerns; in particular, it can influence other business practices”. They (Lu et al., 2022) emphasize that it would be foolish not to collaborate across different departments and leverage each other’s knowledge for an integrated understanding of risks and opportunities. Relating to the DMA it may unintentionally encourage companies to do so as it seeks integration and data from across the entire organization and its value chain. However, the extent of utilization may vary depending on the companies’ attitude and motivation disclosed in their corporate sustainability strategy. Given the nascent stage of the DMA, previous research within the field of sustainability reporting and organizational change does not specifically emphasize this assessment but rather concentrates on other aspects of sustainability reporting. These will be further elaborated upon in connection with the DMA below.

The initial motivation for sustainability reporting is generally for investor demand and regulatory compliance (Blanco et al., 2017). However, the motivations compared with actual benefits from disclosing climate information don’t seem to be the same. Blanco et al. (2017) investigated the operational and strategic benefits for companies after they started report on carbon emissions. As stated, the initial motivations for the sample were mainly investor demand

and regulatory pressures. Notably the benefits, more than being compliant, were performance linked factors such as increased stakeholder dialogue, understanding impacts and risks and improving companies' efficiency and economic, environmental, and social performance. Blanco et al. (2017)'s study thus demonstrates that companies' initial motivations regarding the adoption of sustainability standards differ drastically compared to the outcomes they ultimately achieve through implementation. This somehow confirms Lu et al. (2022)'s contention regarding added value created through coupled practices, such as DMA, of sustainability reporting.

Similar benefits but expressed as internal effects by cause of mandatory sustainability reporting is put forth by Aureli et al. (2020) who examined the influences and consequences when a European company begun reporting under the previous sustainability reporting framework currently being replaced by CSRD. Through a case study, Aureli et al. (2020) investigated how sustainability reporting regulations affect a company's reporting strategy and governance practices. The company was found with a greater strategical awareness after complying with the new regulations due to continuously internal developments. The initial year of application and compliance consisted of pressures linked to legitimacy, social and cultural conditions which the second year changed to reasons of internal efficiency and economic benefits associated with the new practices. The legislative requirements therefore led to an opportunity for the investigated company to gain more knowledge about their environment and stakeholders, thereby confirming the findings of Blanco et al. (2017), contributing with information beyond the audit department. The studied company took advantage of the situation, developed their sustainability reporting, and gained valuable external tangible and intangible resources, including financial assets, talent, and reputation (Aureli et al., 2020). Potentially, these implementations of disclosure mandate could result in external impacts due to improved organizational practices, which Wagenhofer (2024) point out is the primary objective by mandatory sustainability reporting of fostering real impact through sustainable business behavior.

Similarly to Aureli et al. (2020), She (2022) explored mandatory reporting generating organizational change and real impact. The study analyzed how a CSR disclosure mandate required companies to disclose their efforts in addressing slavery and human trafficking within

their supply chains. It was revealed that the investigated companies strengthened their supply chain due diligence, resulting in enhanced human rights performance among their suppliers following the implementation of the disclosure mandate. These findings thus demonstrate the development of internal CSR-related practices and monitoring, manifested in the form of improved stakeholder due diligence, with consequential benefits of enhanced human rights in the supply chain, corresponding to Wagenhofer's (2024) recognized primary objective. Similar findings of real impact for the safety of humans are addressed in Christensen et al. (2017)'s study who discovered improved employee and workplace safety as a result of regulatory compliance with the disclosure mandate in sustainability reporting. Mandatory reporting provides transparency, evidently demanding companies to enhance their initiatives which require developed operational activities which hopefully leads to real impact.

In another study regarding sustainability reporting and European regulations, Hummel and Bauernhofer (2024) examined the consequences, including corporate actions and outcomes, following the implementation of the EU taxonomy regulation from 2020. Based on their findings, it was shown how the implementation of reporting requirements led to increased internal discussions on strategic positioning regarding sustainability. Additionally, regulatory compliance prompted companies to compare related Key Performance Indicators (KPI) between competitors, triggering a stronger competitive thinking in the form of activities to improve their sustainability performance. However, Hummel and Bauernhofer (2024) emphasize that real effects take time but that the studied companies have begun to transform through strategic positioning in compliance effects but also in response to other companies' disclosures, which have fostered stronger competition thinking. The authors explain the time-consuming phase as an "endeavor to comply" due to complex and detailed reporting requirements and represents the first reporting years of a new reporting mandate (Hummel & Bauernhofer, 2024, p. 3). This is also visible in Aureli et al. (2020)'s investigated company for the first year of compliance. Moreover, regarding the initial transformations, the companies' motivation appears to have shifted towards a competitive thinking among employees, where discussions about sustainability and strategic positioning are spreading throughout the organization, possibly being a precursor to what Blanco et al. (2017) concluded as benefits. First comes the thought pattern, then comes the behavior. So at least, this kind of initial

transformation discovered from Hummel and Bauernhofer (2024) could be apparent for studied ESRS-complying companies.

Even though Christensen et al. (2021), in their literature review, conclude that mandatory sustainability reporting together with societal and stakeholder pressures expand and adjust associated activities and processes Garcia-Torea et al. (2023) note that it is important for researchers to have in mind that sustainability accounting and organizational change is an interrelated and co-evolutionary phenomenon. Furthermore, they declare how results of organizational change could be sedimentary and accumulations over time. Still, it is impossible to ignore the above discussed studies' (Aureli et al., 2020; Blanco et al., 2017; Christensen, et al., 2017; Hummel & Bauernhofer, 2024; She, 2022) where mandatory reporting has had substantial effects and benefits. The phenomena Garcia-Torea et al. (2023) acknowledge highlight the unclear view of what the cause of organizational change really is. In the same paper, Garcia-Torea et al. (2023) cite numerous studies indicating that related management accounting tools aim to incorporate social and environmental factors into organizational decision-making. Ultimately, the implementation of DMA could play a crucial role in initiating and driving significant changes within organizations.

This second section of the literature review explores the potential benefits and challenges of conducting a DMA in the context of sustainability reporting. It examines research findings indicating that effective sustainability reporting can create value beyond regulatory compliance, emphasizing the importance of collaboration across departments and integration of knowledge. Furthermore, the section highlights studies demonstrating the transformative effects of mandatory sustainability reporting regulations on corporate practices and outcomes, including increased strategic awareness, improved competitive thinking, and enhanced stakeholder due diligence. Overall, it suggests that the implementation of DMA could drive significant changes within organizations by fostering transparency, strategic positioning, and competitive thinking in sustainability management.

### **3. Theoretical background**

Since this paper addresses how companies are internally affected by changes in sustainability reporting regulations and the extent to which they choose to capitalize on and comply with these requirements, a theoretical background is necessary to consider how organizations adapt to changing environments. In the organizational field, the theory of dynamic capabilities and institutional theory are relevant. Combined, these two theories form a conceptual framework, serving as the foundation for the data analysis of this study. The chapter is divided into three parts: Dynamic Capabilities, Institutional Theory, and Applying the Theories in Practice.

#### **3.1. Dynamic capabilities**

Within the field of strategic management, we find the resource-based view (RBV) as a dominant theoretical framework through how companies cultivate and uphold competitive advantages (Piening, 2013). The RBV operates on the premise of how resources and skills are attained, developed, and utilized over time (Barney, 1991; Connor, 2002). To serve as a foundation for sustained competitive advantage, Barney (1991) impose that resources must satisfy four criteria: value, rarity, imperfect imitability, and non-substitutability. And to discuss the effective utilization of these resources, organizational capabilities play a central role, which refer to a company's ability to leverage its resources to achieve desired outcomes (Piening, 2013). Capabilities can be understood as the organization's capacity to develop, expand, or adapt its resources (Donnellan & Rutledge, 2019), where ordinary capabilities are regarded as recurring patterns of behavior that enable companies to execute their existing business models (Bocken & Geradts, 2020). Based on the theory of RBV, variations in a company's performance over time primarily comes from their unique resources and capabilities (Barney, 1991; Donnellan & Rutledge, 2019).

While the field of sustainability reporting has undergone massive changes over the past decades in terms of increased expectations and demands, the time can be marked as anything but calm and stable. In such a dynamic and volatile environment, organizations are compelled to develop dynamic capabilities to facilitate adaptation to their surroundings (Liu & Chen, 2008; Strauss, Lepoutre & Wood, 2017). Dynamic capabilities grew forward as an answer to the worlds rapidly changing environments addressing the importance for organizations to adapt and reorganize their competences to maintain competitive (Teece, Pisano & Shuen, 1997). They defined

dynamic capabilities as “the firm’s ability to integrate, build and reconfigure internal and external competences to address the rapidly changing environments” (Teece et al., 1997, p. 516). In other words, dynamic capabilities “are those that operate to extend, modify or create ordinary capabilities” (Winter, 2003, p. 991). Because while ordinary capabilities are essential for maintaining the current business model, dynamic capabilities are crucial for adapting and innovating in the face of new challenges and opportunities (Bocken & Geradts, 2020). It is further argued that a company’s competitive edge in a dynamic market is contingent upon its internal processes and its capacity to adapt its organizational capabilities thereafter (Teece et al., 1997). This encompasses the capability of processes to consistently adjust and reallocate organizational resources and competences in pursuit of greater organizational efficiency leading to sustained competitive advantage (Donnellan & Rutledge, 2019; Liu & Chen, 2008; Piening, 2013; Strauss et al., 2017; Teece et al., 1997).

For being able to scrutinize dynamic capabilities Teece (2007) put forth a discussion regarding the underlying components as microfoundations which focus on individual or collective actions within an organization that contribute to the overall dynamic capability. These components include specific skills, processes, procedures, structures, decision-making rules, and disciplines (Felin, Foss, Heimeriks & Madsen, 2012; Teece, 2007). For this study, DMA can be viewed as a collection of microfoundational components where internal and external stakeholders collaborate through various activities to find consensus on a final list of materiality. This very process may vary in terms of how organizations choose to utilize DMA, depending on resource involved and the level of trust placed in its output and its future applications. Hence, a materiality analysis is defined as the foundation and starting point for strategic sustainability work (ESRS 1, 2023; Font et al., 2016; Machado et al., 2021; Torelli et al., 2020). Worth pointing out, microfoundational components are not dynamic capabilities themselves but are critical to their successful deployment (Ambrosini & Bowman, 2009). The microfoundational components could be seen as overlapping and interconnected actions within the three following dynamic capabilities forming the traditional concept of the theory (Felin et al., 2012). These three dynamic capabilities align with the fundamental components within an organization that enable it to *sense* changes in its environment, *seize* opportunities, and *transform* its resources and competences accordingly (Teece, 2007), which in turn is the source of the organization’s

competitive advantage (Ambrosini & Bowman, 2009). A studied company must thus fulfill these three steps for being able to claim having dynamic capabilities.

### **3.1.1. Sense**

The sensing and shaping of new opportunities and threats is a collection of scanning, creation, learning, and interpretative activity (Teece, 2007). Hence a process which may be interpreted and comparable to how the DMA will assist companies to discover impacts, risks, and opportunities in areas that can be considered material based on ESRS. On this basis the microfoundational components, such as the DMA, form the activity and practice for the discovery or creation of new opportunities or threats. This is through its ability to scan its environment which output thereafter could enable the deployment of dynamic capabilities. These sensing activities and practices could be prescribed or carried out of either individual, managerial, or organizational analytical processes (Ambrosini & Bowman, 2009; Teece, 2007). The latter process is seen as the most preferred in order not to rely on the cognitive traits of a few individuals (Teece, 2007). However, organizations cannot escape the important microfoundational human factor for enabling capabilities (Felin et al., 2012), as decisions are required in this sense-making process and ultimately always putting pressure on the decision-making human(s).

### **3.1.2. Seize**

Once opportunities and threats are identified, organizations must seize them through investments in products, processes, or services (Teece, 2007). This is done through microfoundational maintenance and improvements of competences and complimentary assets, underlying the dynamic capabilities, such as developing strategies, setting a governance structure and through collaborations of partnership or knowledge-sharing (Khan, Daddi, & Iraldo, 2020). Promoters/visionaries must overcome the naysayers to facilitate necessary investment and thus seize the sensed view for transformation (Teece, 2007). Since ESRS require companies to disclose their strategy and governance regarding the topics they deem material in their reports (ESRS 1, 2023), this should inevitably be realized by complying companies sooner or later. The question then arises as to the extent to which companies choose to leverage the requirement or if there will be shortcomings in legitimacy and instances of hypocrisy (Christensen et al., 2021).

### **3.1.3. Transform**

The companies found first sensing and thereafter seizing opportunities and threats, could thereafter transform its resource base to better align with the changing business environment (Teece, 2007). Transforming is about agility and flexibility in managing knowledge and resources to maintain competitiveness in a dynamic market. The microfoundations of transformation have, for example, been identified as organizational restructuring, technological upgradation, knowledge integration, and best practices adaptation (Khan et al., 2020). This is the last step of a proactive approach to strategic management according to the theory of dynamic capabilities that enables a firm to continuously evolve and prosper (Teece, 2007). However, there is a significant difference in sustainable business practices in terms of proactivity, which can be crucial in determining the level of ambition and dedication invested. Strauss et al. (2017) discuss proactivity/reactivity in terms of organizations selecting environmental strategies based on more than external demands. The organization itself plays a significant role in shaping its own dynamism by choosing more ambitious environmental strategies with the right set of dynamic capabilities and microfoundations to navigate effectively (Strauss et al., 2017). With the right set, organizations have the opportunity to be proactive and stay ahead without reactively adapting to changes, reducing the risk of falling behind and ensuring sustainable competitive development.

## **3.2. Institutional theory**

While dynamic capability theory primarily focuses on the internal processes of firms, it acknowledges the importance of external influences, including those proposed by institutional theory, in shaping organizational responses and strategies (Eriksson-Zetterquist et al., 2020; Sarkis, Zhu & Lai, 2011). The institutional theory will therefore expand the theoretical lens of dynamic capabilities, capitalizing organizational capabilities on risks and opportunities, by including the consideration of different external influence and pressures. Eriksson-Zetterquist et al. (2020, p. 222) explain the relation of external influences with how organizations “enact and create their environment at the same time as they, in turn, are created by and acted upon by the very same environment”. This relation of interdependence suggests similarities to the approach of DMA based on the earlier introduced organizational analytic perspective of inside-out and outside-in as effect of ESRS. By integrating institutional theory with dynamic capabilities, we enhance the understanding of how organizations develop and deploy



capabilities in response to external pressures and institutional contexts (Adams, Donovan & Toppo, 2023; Dai, Xie & Chu, 2021, Sarkis et al., 2011). The institutional theory suggests that organizations respond to external pressures based on three isomorphic drivers: coercive, normative, and mimetic (DiMaggio & Powell, 1983). These drivers are presented and further described below.

### **3.2.1. Complying with regulations**

Coercive isomorphism refers to pressures exerted on organizations to conform external expectations such as sustainability reporting regulations pressuring them to comply with the current requirements. Research indicates that sustainability reporting regulations positively impact the disclosure practices of complying companies (Al-Dosari, Marques & Fairbrass 2023; Samani, Overland, & Sabelfeld, 2023), as well as connected internal and external practices (Aureli et al., 2020; Lozano 2015). Relying solely on coercive pressure would, however, be restrictive, as it might lead to premature conclusions regarding the regulatory impact. Accordingly, several studies suggest this form of pressure not being the most significant factor in driving changes in sustainable business practices (e.g., Aureli et al., 2020; Bello-Pintado et al., 2023).

### **3.2.2. Confirming to expectations**

Normative isomorphism involves conformity to social norms, values, and expectations prevalent within a particular industry or society. For example, Aureli et al. (2020)'s examination indicated consultants and normative rules derived from the professional audit culture influencing the adherence to existing sustainability reporting standards. Failure to follow normative practices in sustainability reporting may lead to drop in reputation and credibility within the industry. Important to note is that these societal issues can change rapidly due to political reasons or be triggered by exogenous events (Christensen et al., 2021). Furthermore, normative isomorphism could require companies to incorporate an increasingly broader perspective, which may become less relevant for investors' financial decision-making (Christensen et al., 2021).

### **3.2.3. In pursuit of best practice**

At last, mimetic isomorphism occurs when organizations imitate the practices of others perceived as successful or legitimate, often out of uncertainty or a lack of clear guidance. For

sustainability reporting mimetic elements have supported and been a driving force in the development of audit practices (Aureli et al., 2020). The availability of good practices in a first phase of new regulations where everyone is a beginner makes it difficult for the practitioners to implement this isomorphic strategy. However, collaborations of partnership or knowledge-sharing may drive similarity and comparability triggering another form of mimetics in a first phase of uncertainty.

### **3.3. Applying the theories in practice**

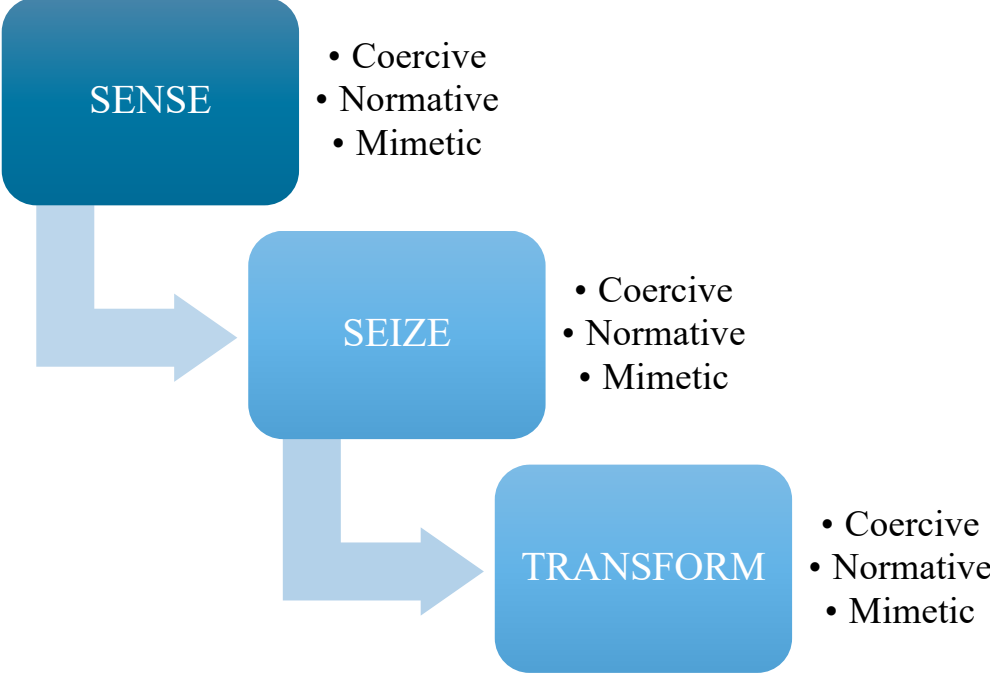
Based on the previous discussion on dynamic capabilities, external pressures can create both constraints and opportunities for organizations, influencing their strategic decisions, practices, and behaviors. Organizations need to be aware and responsive to external pressures to effectively sense and seize opportunities, as well as to adapt and transform their capabilities. For example, government regulations such as CSRD will create pressures for firms to develop new processes, leading to the transformation of their capabilities. Teece (2007) argue that widely adopted best practices, such as standardized regulatory frameworks, do not qualify as dynamic capabilities. This is because they are not unique to a specific company and thus cannot independently serve as a source of competitive advantage. Rather, these activities or processes would be related to ordinary capabilities (Teece, 2018). However, while this paper addresses the question of how companies choose to implement and utilize the prominent DMA introduced by the CSRD regulations, the motivation behind prior implementation of sustainability reporting and its practices has shown to vary significantly among companies (Mahmood & Uddin, 2021). Thus, the argumentation for using this theory is exclusively found by those companies that choose to seize the sensed opportunities and threats and thereafter transform for having an impact beyond a transparent reporting. It will therefore become variable if the organization see the process of capability as ordinary or dynamic depending on their existing or evolved microfoundations could foster sense, seize, and transform in characteristics of dynamic capabilities.

The theory of dynamic capabilities divided into a three-stage development of sensing, seizing, and transforming together with the three drivers of coercive, normative and mimesis will form the conceptual framework of this paper. The microfoundational components are naturally included in each step, which, as previously explained, may be crucial for its output based on the amount of input a company invests. The framework will partly build on Teece et al. (1997)'s

previous stated definition of dynamic capabilities where organizations need to have the ability to sense, seize and transform internal and external resources and competences to address the rapidly changing environments. While the DMA is considered as necessary for the organization complying to CSRD to identify the material impacts, risks, and opportunities to be reported upon (ESRS 1, 2023), the framework will help to analyze if and how the investigated company utilize the DMA based on the three stages of development considering internal and external competences that affect the organization's capabilities to act. Hence the DMA being analyzed as the enabler for gaining knowledge like how Teece (2020) explain the relationship between an organizations' strategy and dynamic capabilities: as providing input and thus help to enact the strategy. Furthermore, Strauss et al. (2017) argue that dynamic capabilities are of critical importance for organizations operating in a sustainable manner. The framework will thus help make visible how companies choose to use the process of DMA and if it gives rise to organizational effects according to characteristics of dynamic capabilities for a sustainable competitive advantage.

The supplementary part of the conceptual framework will consist of external pressures presented as the three drivers of coercive, normative, and mimetic isomorphism and will assist in guidance for understanding in what degree the output of DMA is utilized within the organization. While the field of sustainability reporting is characterized as an emerging field (Mahmood & Uddin, 2021), hence lack of clear guidelines and praxis exists (Baboukardos et al., 2023) which complicates the latter isomorphic drive considering the introduction of CSRD at present time. By identifying the external driving forces into the internal impact on the organization, a greater understanding of the reasons behind the variation in the use of DMA can be achieved. Like how Adams et al. (2023) in their study use a combination of an extension of RBV together with the institutional theory to help value how regulatory, social, and conformity pressures influence organizations' decisions, this study will consider how the same pressures help develop or deploy organizational necessary capabilities. Therefore, this study examines how dynamic capabilities of sense, seize and transform respond to the assessment of double materiality triggered by institutional pressures. The conceptual framework is illustrated in Figure 2 below.

**Figure 2.** The conceptual framework.



## **4. Methodology**

This chapter outlines the methodology developed to achieve the aim of this study. Initially, the research approach is presented, followed by an explanation of how the study representatives are identified, and the process of data collection and analysis. Finally, ethical considerations, validity, and reliability are discussed.

### **4.1. Research Approach**

The study seeks to capture the insights into how complying companies implement their DMA and how this was further utilized beyond creating a sustainability report. And since the aim of this study is to gain an increased understanding regarding the effects of DMA by exploring softer values which cannot be captured by quantitative research methods a qualitative research approach is chosen. As the regulatory landscape is still evolving and the impacts of compliance are only beginning to manifest during the course of this study, there are limitations in conducting in-depth analyses. Therefore, the approach of this study is to offer an initial understanding and a comprehensive perspective on how practitioners perceive the concept and how future developments might unfold. Representatives from corporate sustainability departments working hands-on and in significant roles with the implementation of DMA are able to provide extensive information to this study regarding their current task of complying with CSRD. The timing of the study and the selection of representatives cause interviews being the most suitable method for implementation. The decision of research approach aligns with Trost's (2010) motivation behind qualitative method and interviews as key to detailed information of a studied area through dialogue.

### **4.2. Research Strategy**

To delve into real-world organizational practices and decision-making for drawing management conclusions, a case study is considered appropriate (Andrews, 2021). A case study delves into a phenomenon, enabling the researcher to deepen their understanding of it (Yin, 2018). In this instance, the focus naturally falls on the DMA. According to Yin (2018), a case study is a good fit when the study aims to address questions such as “how” and “why” and to expand the understanding and knowledge of real-world aspects. The chosen design help to deepen our knowledge regarding to what degree the first complying companies have implemented the DMA and its output into their business operations. In addition, investigating how the essential

concept of DMA is received by its compliant I chose to fill the case study with many examples, in form of multiple company representatives, to explore the newly implemented concept within a market-wide context. The multiple exemplar strategy of examining companies from different industries enables the study to take a step further towards the cross-sectional approach which allows a comparative analysis (Yin, 2018). The choice of strategy is hoped to provide a comprehensive picture of the phenomenon.

### **4.3. Selection of Representatives**

Possible participants for this study are limited to publicly traded companies with over 500 employees to report under CSRD by 2025 concerning fiscal year 2024 (European Commission, 2023b). To narrow the scope, I focused on Swedish companies due to my country-belonging. As public lists sorted by the number of employees could not be found, I chose to manually create an Excel sheet containing all Swedish companies listed on Large Cap Stockholm as of February 2, 2024. This list was then filtered down to those companies with over 500 employees. From here, the selection process continued by identifying the right key person within each company in the homogeneous group (Saunders & Townsend, 2016): the sustainability department. This type of technique is called purposive sampling and is used to find individuals who meet certain criteria to participate in a study (Campbell, Prior, Shearer, Walkem, Young & Walker, 2020). In case studies, it is important to find the right person who reflects their population (Kvale, 2008; Yin, 2018), this is further discussed regarding the validity of this study. The sampling relied on responsibilities rather than designations of roles, given their variability across companies. Therefore, keywords such as “Head of Sustainability”, “Sustainability Director,” “Head of Sustainability Reporting”, and “Chief Sustainability Officer” were used in Google and LinkedIn search engines to track down the responsible person with an open and accessible email address. Based on this, 22 potential participants were found and contacted through email regarding the possibility of participating in an interview on the subject, with eight responding positively. Table 1 below presents the interviewees who will represent the sample of this case study.

**Table 1.** Sample description.

Participant	Role	Industry	Method/Duration of interview	No. of pages in interview transcript	Approximate duration of DMA
A	Head of Sustainability	Medical equipment & Services	In person / 56:21	15 pages	3 months
B	Head of Sustainability	Consumer Services	MS Teams / 44:13	11 pages	6 months
C	Head of Sustainability	Automotive Industry	In person / 50:17	13 pages	6 months
D	Sustainability Manager	Metal & Mining	MS Teams / 43:12	10 pages	3 months
E	Sustainability Controller	Real Estate & Development	MS Teams / 50:12	11 pages	5 months
F	Corporate Sustainability Manager	Industrial Goods & Services	MS Teams / 56:59	11 pages	6 months
G	Head of Sustainability	Conglomerate	MS Teams / 40:54	11 pages	6-8 months
H	Deputy Head of Sustainability	Bank	In person / 45:56	12 pages	5-6 months

#### 4.4. Designing the interviews

After identifying the interviewees, the interview guide was developed, and groundwork was laid regarding the participating companies in preparation for the interviews. This process will be presented and elaborated upon separately below.

##### 4.4.1. The interview questions

To answer the companies' interpretation of DMA the study conducted interviews for a chance to obtain substantive answers (Trost, 2010). This was accomplished through semi-structured interviews with open-ended questions formulated on an interview guide, which could be found

in Appendix B. An interview guide allows the interviewee to guide the conversation based on his/her answers whilst the interviewer can steer the interviewee back to topic if necessary (Trost, 2010). Thus, the conversation becomes more open, but still controllable, with opportunities for unpredictable discussions that can be valuable for the study. Even though the interview guide between all interviews should be comparable they do not need to be identical (Trost, 2010) which aligns with the research design open for discussions regarding the representatives' companies. I therefore made notes based on the preparation I underwent regarding the companies' recent sustainability reports and their view of its associated governance and risk assessment.

The interview guide was divided into two distinct parts, first addressing the time during the implementation of the DMA and then transitioning to the time after the implementation. A first draft emerged during the process and development of the case, combined with desktop research in the form of the state of the art of the subject and the theoretical background (Andrew, 2021). For instance, the findings elaborated in the literature review such as Aureli et al. (2020) and Lu et al. (2022) inspired questions in a manner of knowledge sharing and internal change compared with current regulatory developments such as ESRS 1 (2023) and EFRAG (2023) which contributed with in-practice knowledge of the implementation process of ESRS and the DMA. These questions were opposed, further developed, and eventually evolved in the two parts consisting of 10 questions each, with possible follow-up questions. Initially, the two parts were evenly balanced with questions that allowed participants to talk somewhat freely about the process of their DMA, although I attempted to follow and cover all planned questions to obtain more comparable material in my results. In some interviews, the conversation shifted back and forth between the two main parts, which my interview design allowed for smoothly let the conversation flow somewhat naturally and resemble more of a dialogue (Trost, 2010). And in the end, the interviewee and I have had the opportunity to discuss all questions.

#### **4.4.2. The preparation**

In preparation for the interviews, I got familiarized with each company by reviewing their latest sustainability report, enabling me to understand their current sustainability initiatives and identify potential discussion-topics for the interview. It is crucial for the interviewer to have a thorough grasp of the subject area (Trost, 2010), for this study primarily the DMA, but also overall experience of the CSRD, the ESRS, and state of the art, i.e. the current sustainability



reporting literature. At last, given the significant roles held by all interviewees in their companies' sustainability departments, I presumed that they possessed adequate knowledge, yet the preparation aimed to ensure insightful interviews. Therefore, I distributed an information sheet, found in Appendix A, to allow the interviewees to familiarize themselves further with the topic we would be discussing.

## **4.5. Collecting and processing the data**

After setting the interview guide and preparing myself and the interviewees I began conducting the interviews and thereafter processing the data. This is presented below as during and after the interview.

### **4.5.1. During: Conducting the interview**

All interviews took place in March 2024. Out of the total number of interviews, three were conducted in person, where I was welcomed to the participants' main offices, and six were conducted remotely via MS Teams. After a short introduction of me, the study and ethical considerations, the interview began with me getting permission to start audio recording the conversation. This was followed by the first question where the interviewee had the opportunity to introduce themselves. The rest of the arrangement can be followed in Appendix B: the interview guide. In addition to the audio recording, I complemented with extensive notes on the situation to add detail to the transcription (Trost 2010). The notes, however, were made alone afterwards to better focus on the interviewee during the interview and not arouse suspicion during the note-taking moment, which is further discussed under ethical considerations alongside the audio recording.

### **4.5.2. After: Processing the data**

Once the interviews were done the transcription could start to put forth the primary empirical data of this study. A transcript involves translating oral discourse into written discourse, shifting between narrative modes for analyzation (Kvale, 2008). The interviews were recorded and later transcribed using the artificial intelligence (AI) software Klang.ai. The specific AI software operator was chosen against the background of high focus on security and data protection. The accuracy of the transcripts was thereafter verified by simultaneously reading while listening to the recordings. For analyzing the transcript, a toolkit with methods is usually applied with various technical procedures (Kvale, 2008; Trost, 2010). However, it's not the tools themselves

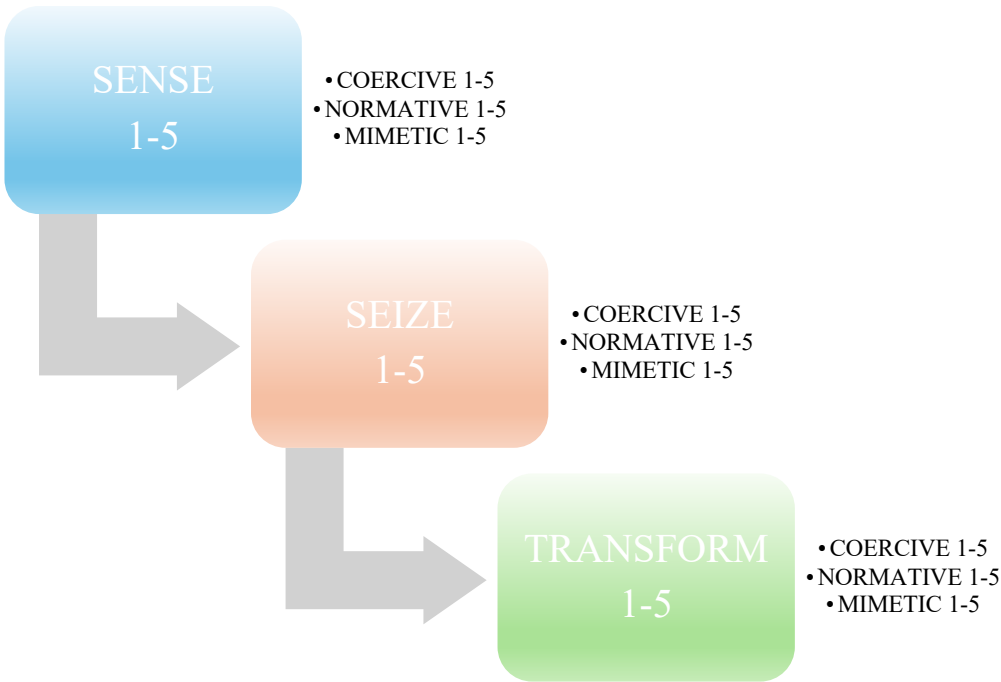
but rather the researcher who applies them that discovers the meaning within the total of 91 pages of interview transcripts. The quality of the analysis relies on the researcher's skill, understanding of the research topic, sensitivity to the language used, and competence with analytical tools for deciphering the meanings expressed in language (Kvale, 2008). However, this study mainly focuses on the content discussed and less on the linguistic meaning. Ultimately, the study takes an abductive research approach based on empirical data to explore corporate decisions and practices when reacting to a studied phenomenon such as the DMA (Trost, 2010). This approach highlights the crucial role of empirical evidence in finding nuanced insights and advancing knowledge in the field of organizational change and sustainability reporting.

The analysis of this study's content in form of transcribed interviews went through "the process of breaking down, examining, comparing, conceptualizing, and categorizing data" defined as content analysis by Strauss and Corbin (1991, p. 61, as cited in Kvale, 2008). The carried-out content analysis, described more accurately as category coding, was inspired and developed through the forthcoming elaborated ideas of Kvale (2008) and Trost (2010). My approach was to find a technique that suited me as a researcher based on Campbell, Quincy, Osserman and Pedersen (2013)'s statement that all projects should be tailored for their specific needs where there exists no simple or right way. The coding on the transcript was established as follows.

During the time I conducted the interviews I made extensive notes containing thoughts and ideas for possible themes and patterns. Trost (2010) explain this developing process as when good ideas rise, they should be noted. My endeavor with this technique of categorizing patterns and themes of the interviews was to offer a broad view of the extensive transcripts and to simplify the upcoming comparisons (Kvale, 2008). However, when starting the categorization I chose to rely on the theoretical framework, more precisely the conceptual framework previously visualized in Figure 2 which is further developed in the following Figure 3 illustrating my process of coding the transcripts. The reason for this choice was based on that the result would eventually be presented based on this framework. Kvale (2008) describes category-coding as how the presence of a phenomenon can be noted with the intensity of an opinion represented by a number on a scale. The phenomenon of this case study is as earlier stated the concept of DMA, but for the content analysis the phenomenon was assigned the three

individual dynamic capabilities which are visualized with three different colors. The coding of “sensed” aspects in the transcription was thus highlighted with blue, seize with orange, and transform with green. Furthermore, the intensity of an opinion was chosen to a scale ranging from 1 to 5 and serves as my level of conviction towards the explained characteristics in the theoretical chapter [3.3. Applying the theories in practice](#). The same type of interpretation and assessment was conducted for quotes that were perceived to be influenced by isomorphic drivers.

**Figure 3.** The conceptual framework for coding.



This was thereafter summarized and sorted in an MS Excel document of marked quotations, visualizing the patterns and themes through all interviews based on the different categorize from the conceptual framework. This thoroughly review of the transcription, while operating in well-used data management software for the researcher, generated an accessible overview of the studied subject resulting in a quality analysis (Troost, 2010). From there, the parts with the highest scores were elaborated in the results as patterns or themes and low scores were noted as possible contributions.

#### **4.6. Ethical considerations**

Since this study, like most case studies, handle contemporary human affairs, it is of utmost importance that all empirical data is collected under the highest ethical standards (Yin, 2018). This involves ensuring that the individuals interviewed give the interviewer permission to use the information they provide during the interview (Kvale, 2008). Additionally, reassuring the interviewees and referenced literature that nothing will be distorted (Kvale, 2008; Trost, 2010; Yin, 2018). For this study, it is about protecting those who have agreed to be interviewed by keeping the empirical data in its original form and ensuring that personal information remains confidential. During data collection, efforts are made to maintain a neutral and impartial stance to prevent the results from being influenced by personal opinions or biases.

Moving on for a discussion regarding the audio recorder, which is an important ethical and technical aspect for both the interviewer and the interviewee (Trost, 2010; Kvale, 2008). There are two important reasons why this study will benefit from audio recording. The first is that the chance of unintentionally distorting what was said during the interview is eliminated as there is the opportunity to review the material for a verbatim transcription. It is extremely important to be loyal during the transcription to the interviewee's oral statements (Kvale, 2008). The second reason interviews benefit from audio recording is that the interviewer may focus on being an active listener and avoid concentrating on remembering what was said at crucial moments. Also, Trost (2010) explains that a note-taking interviewer may be perceived as intrusive or suspicious from the interviewee's perspective. Thus, the audio recorder will lead to a more efficient and relaxed interview session, and furthermore, a more reliable study. However, it is important to remember that before the interview ensure that the interviewee agrees to the use of an audio recorder.

#### **4.7. Was the case study well measured?**

Discussions concerning validity and reliability address the trustworthiness and transferability of a study to ensure it becomes credible, appropriate, and relevant (Trost, 2010; Yin, 2018). The terms in this section are used to assist me in discussing the value of the study where validity delves into whether the study truly measures what it claims to measure and reliability, on the other hand, focuses on whether the study would yield the same results if repeated under the

same design. Below follows a presentation and discussion regarding this study's perspective related to these two concepts.

#### **4.7.1. Validity**

To ensure that a study accurately measures what it claims to measure, it must address construct validity by identifying the appropriate operational measures for the concepts under investigation (Yin, 2018). If interviewees were to respond without adequately representing their organizations, the study would lose its utility. Hence, it was vital for this study to clarify and confirm that the sentiments expressed during interviews genuinely reflected the organization's stance and not solely the interviewee's personal opinions or perceptions. The selection process for representatives in case studies is crucial, as they act as legitimate members of the investigated organization (Kvale, 2008). Consequently, only individuals holding managerial roles within the companies' sustainability departments or central roles within the implementation of the new standards were approached to ensure adequate representation. In some cases, my inquiry regarding participation in the study was forwarded to the appropriate party responsible for implementing ESRS. At last, the interviewees were acknowledged as representatives of their organization at the outset of the interview and throughout the questioning process.

Based on Saunders and Townsend's (2016) paper "Reporting and Justifying the Number of Interview Participants in Organization and Workplace Research" the authors reference to cases where the population of interest is homogeneous and typically considered sufficient, which seem to align with this study's number of participants. However, it's important to bear in mind that interviewing eight other individuals from distinct companies may yield different results, which could affect the external validity of the findings. This divergence may come from variations in corporate governance, resources, and the prioritization of proactive sustainability initiatives. Nonetheless, the findings should offer a general overview and first market impression of the perception and implementation of DMA within the Swedish market. In conclusion, concerning the internal validity of this study, it's worth considering that DMA may not be the exclusive cause, and events related to companies' sustainability efforts might have unfolded regardless. The influence of DMA should neither be exaggerated nor diminished, as this will become apparent in the results.

#### **4.7.2. Reliability**

Reliability refers to the consistency of results when the same case study is repeated under the same conditions (Yin, 2018). This concept is based on the assumption of constancy, implying that individual behavior and actions remain static (Troost, 2010). However, when conducting interviews about legal changes in sustainability, this notion is challenged due to the dynamic nature of the market and the green evolution outlined in the [background](#) of this study. Trost (2010) discusses the relationship between reliability and qualitative interviews, suggesting that from a symbolic interactionist perspective, we participate in ongoing processes, leading to potentially different results at different times. In this study, the timing is crucial as interviews are conducted during companies' implementation of DMA and before the first report following ESRS is published. Assuming organizations are evolving, as found in Aureli et al.'s (2020) study on internal development after regulatory changes related to sustainability reporting, future responses from interviewees may reflect increased knowledge in the field. Additionally, regulatory amendments in sustainability reporting may further alter the landscape. The individuals in this study are not static but rather active participants in a process (Troost, 2010). Therefore, instead of focusing on time, the goal of reliability for this study is to minimize the risk of errors and biases (Yin, 2018), emphasizing transparency of documentation and implementation processes through a clear and substantial methodology section. Yin (2018) draws an appropriate parallel between reliability and how accountants conduct their work, aligning with this study's overarching theme of corporate disclosure in sustainability reporting. If this study aims to follow legal requirements under CSRD, transparency and traceability can be achieved.

## 5. Results

The following three parts, consisting of sense, seize, and transform together with identified institutional drivers, present the findings from eight interviews held with representatives from Swedish companies working towards complying with CSRD by 2025. Each part is further divided based on themes discovered during the interviews and while analyzing the transcripts. However, before diving into the results based on the conceptual framework, some general observations is presented while being further described in the following sections.

### 5.1. General Observations

To start with, it's important to note that Sweden has postponed the implementation of CSRD, meaning that the representative companies for this study will not be required to report as planned. The postponement by a year is noted and referenced in the [first chapter](#) introducing the regulatory framework of ESRS. Despite this, during the interviews, all participants expressed their companies' intention of their fiscal 2024-year report to be as inspired as possible, if not fully compliant. Moreover, several participants mentioned that due to the extensive regulatory framework, the ramp-up period could be longer, but still highlight the importance of full transparency in upcoming report to show that they are actively working on being fully compliant.

The implementation and regulatory compliance have been discussed in earlier chapters of this study as resource intensive. This is in some way confirmed by the interviews, as all companies (except for Company A) have engaged consulting firms to help them carry out the work the DMA. Participant H motivate their decision with "it's complex material, we don't have unlimited resources". It may be important to note that Participant A previously held a senior position within sustainability reporting at a consulting firm before joining Company A as Head of Sustainability, which have provided significant expertise in the field. It was also Company A, together with Company D, that noted the shortest time for DMA implementation, at 3 months, compared to the other companies, which ranged between 5-8 months.

If we were to delve into the work of DMA, all participants (except for Participant D) reported conducting interviews and workshops with internal and external stakeholders. Participant D, however, justified this by stating that the company had recently conducted extensive external

dialogues through a previous materiality assessment which they could leverage for this work. Most participants generally indicated that the work on implementing CSRD and conducting DMA have had the lens of a financial focus throughout the recent discussions and activities. Though, this is not considered particularly surprising, as the introduction of the new inside-out and outside-in perspective has naturally shifted the financial aspect more centrally into sustainability reporting. However, Participant A explained and nuanced this by stating that the work to become compliant has naturally resulted in a common language within the group, making it easier to discuss sustainability-related risks and opportunities with colleagues in other departments.

Regarding the output participants' representative companies had derived from their DMAs, none of the participants felt surprised by the output that had emerged. However, all participants admitted that they had discovered new areas of materiality which they will be required to report on in the future that they had not previously addressed. Interestingly, all participants except Participant E felt that the regulations shed light on existing risks and opportunities that the company had already noted but had chosen not to report on for various reasons. Participant D express this as: "We already have things in place. It's more about formalizing, documenting, structuring so that we can also be transparent about how we work", which the others justify in similar ways.

Related to the type of stakeholders being discussed during the interviews, the participants' representative companies have been in contact with experts, industry organizations, banks, equity analysts, institutional investors, legislators, union representatives, suppliers, employees, customers, authorities, municipalities, and competitors. Half of the participants (A, B, C, E) admitted to experiencing a lack of knowledge and engagement among external stakeholders such as suppliers, complicating and hindering cooperation and the collection of necessary data. It's important to note that all participants revealed that their representative companies' will disclose more regarding suppliers and their responsibility for impacts in the value chain.

Finally, and perhaps most comprehensively, all participants felt that the DMA helped their organization rather than hindered them. As a result, all companies (except F, who did not express themselves on the matter) have a vision that DMA will become an integrated process



that occurs continuously to adapt the business to a changing world. However, it was expressed that during significant events and at regular intervals, there may be a need to pause and redo the assessment thoroughly.

## **5.2. Sense and shape impacts, risks, and opportunities through...**

In the context of the initial stage of dynamic capabilities, the focus lies on the sensing and scanning of the environment to identify and comprehend risks and opportunities. When companies respond to the coercive pressure, in form of legal requirements, of undertaking the DMA, a set of microfoundational components is integrated into various activities, each contributing inputs to determine what is deemed material for their specific organization.

### **5.2.1. Vision**

Several interviews pointed to the role of the new DMA and the union with financial materiality to help foster a vision of business value creation through internal sustainability activities and processes, and by using the same corporate language. Participant A and G address the topic by explaining that if a practitioner make use of the tool in the right way it could create value where Participant A further elaborated the point by clarifying that the inclusion of financial materiality naturally unify a corporate language connecting all departments, such as colleagues in sales and finance, with sustainability. A common corporate language is also discussed and put forth as an important factor by Participant E for advancing the internal discussions. Participant C contributes insights regarding “her vision” for how the company she represents may integrate the work on DMA to shape and update the company’s sustainability strategy going forward.

*“With the outcomes of the DMA and the requirements of CSRD, which inherently have a strategic aspect, I haven’t really developed the strategy that I sort of inherited when I became manager. Instead, what we’re doing now will provide input for me in a future strategy that will, or not future, but an update of the strategy with clearer guidelines on what to prioritize.” (Participant C)*

Currently, this is still a matter of aspirations and plans, with no execution initiated beyond the groundwork in the form of underlying microfoundational components connected to the DMA. The same theme as above is noted when interviewing Participant B and E who shares the vision of their companies’ business strategy going forward. These sensing activities could thus be

perceived as grounded in both individual traits of Participant B, C and E, such as a new interpretation of vision, in combination with practical processes involving internal and external stakeholders undergoing and implementing the DMA. In any case, coercive pressure of ESRS will indirectly shape companies' sustainability strategies.

### **5.2.2. Involvement**

A greater involvement of the financial materiality together with an in-practice evolution to identify and interpret risks in effect of the DMA was noticed for Company B, D, G, H and F. Company B refined their Enterprise Risk Assessment to hereafter identify and characterize a potential risk as possible sustainability risk along with connected time horizons. Furthermore, Participant B imagine that the output from the DMA will play a greater role when developing their business strategy. Continuously, Participant G express that her company already choose to integrate the impact analysis procedure from the DMA with their recently performed Enterprise Risk Assessment for a developed and unanimous result. Company D and H developed existing microfoundational components, such as assessment tools and processes, while adding new parameters for analyzing the output from their DMA. After mapping material topics, they both used existing models to quantify the price of the risk. Participant D further explain that the companies' risk assessment process has been an important part for making these kinds of assessments of financial materiality.

At last, Participant F admits that the new DMA arrives with an enhanced corporate responsibility which give rise for a more detailed risk assessment on operational level. The participant points out that Company F will henceforth implement and apply a local risk assessment to sense risks and pressures. Consequently, the company could establish a more engaged and responsive organization at the local level. Existing microfoundational components for the mentioned companies are therefore developed and used to implement and utilize the DMA.

A possible extension to the discussion regarding fostering value comes from the interview with Participant E who discuss the awareness of sustainability risks and opportunities. She has noticed an increased focus on sustainability within internal and external stakeholder dialogues simultaneously as the union of financial materiality has been given greater scope. This was also something that Participant A noted, emphasizing that stakeholder discussions primarily focused

on financial materiality. Participant E further elaborates this by clarifying the importance of ESG-ratings for listed companies to attract investors and sees this enhanced reporting assessment of DMA as an opportunity for her company to create corporate value. Worth noting is that she formulates herself as “representing the sustainability-department” for sharing this vision, and not her company itself.

### **5.2.3. Knowledge and Awareness**

If we continue the presentation of results to focus more on the level of knowledge and awareness within the studied organizations regarding sustainability, this was a topic that naturally emerged in all interviews except with Participant A. Most of the interviews (B, C, D, E, G, H) revealed a continuous involvement of the company’s board and group management during the process of implementing the DMA and to approve the final output of materiality. For example, Participant D told that one of the reoccurring main points over the last year has been the CSRD-project and its various stages during performance review meetings together with the group management. Within these performance reviews Company D discussed materiality and related consequences, also putting forth questions regarding more complex topics of ESRS to find a common understanding and reach consensus. Participant H highlight that it is “incredibly positive” that their work with DMA brought together new competencies representing the entire organization. In addition, she defines the DMA as an instrument to continue advancing sustainability efforts. However, she adds, as Participant E also discussed in her interview, that the preparatory work to get everyone involved on the same page has been resource intensive.

*“I suppose it’s always the case with major changes that it takes time to adapt, and then again, I think it’s important to try to explain and motivate why we’re making this change. We’ve put a lot of focus on informing and educating about what this change entails, why we’re doing it, and what it means in practice for those affected by it.” (Participant E)*

The reason for this is that the level of knowledge among the colleagues has varied, and in order to discuss the topics effectively, this needs to be leveled out. Therefore, Participant E explain that when involving new key individuals for the DMA-workshops and activities, they had to educate and teach their colleagues about CSRD and the DMA beforehand. The quote therefore emphasizes how a sense for shaping the foundation could help the organization to advance. And

so on, with enhanced knowledge Participant C observed how discussions within the organization grew.

*“I feel like the organization is discussing sustainability issues in a slightly different way than before. And there’s a strong emphasis on trying to get started with filling the gaps.”*  
(Participant C)

The spotted gaps which Participant C refer to stand for areas within the organization’s sustainability efforts, discovered as a result of the work with the DMA, where there are deficiencies or areas for improvement. The developed awareness could be interpreted as if the integrated microfoundational activities within the DMA have involved a wider selection of departments together with fostering a greater focus on sustainability, thus not only raising the level of knowledge but also motivating employees. This becomes a possible consequence of the more demanding regulatory framework of CSRD. It also has a potentially deeper effect as employees are trained and motivated, thus possibly influencing the norm within the organization and society.

#### **5.2.4. A Wider Scope**

Linked to awareness, the requirement of transparency for companies’ impact connected to the value chain has gained increased focus following the implementation of EU directives such as CSRD and the approaching Corporate Sustainability Due Diligence Directive (CSDDD). One reason for this is that ESRS includes clearer requirements where, regardless of materiality, there is a compulsion to discuss topics such as Workers in the Value Chain. Among the interviewed companies in this study, all participants have discussed the suppliers as an increasingly highlighted material, which will naturally require further work and take up more space in future reports. Participant C explain that the mandatory reporting together with the extensive DMA led to a broader perspective in the conversations with stakeholder where the material of suppliers became a reoccurring point of discussion. Additionally, Participant B express how the new guidelines have highlighted the importance of seeing the risk of suppliers through different perspectives.

*“I think for us, it was really the biggest eye-opener that we know we depend on suppliers, as all companies do. But it became even clearer that we’re not just dependent on them to*

*deliver things to us, but we're dependent on them in the sense that how they run their businesses can have or may have an effect on us. It can be a risk for us.” (Participant B)*

As illustrated in the quotation above, EU has enhanced the regulatory framework and made the guidelines clearer which have broadened companies' scope and nuanced risks through different perspectives. When implementing the DMA users may therefore sense risks and opportunities through multiple lenses.

As previously mentioned, all companies except for Company D conducted new dialogues with external and internal stakeholders in various ways to determine their material topics. For most companies, it was not about increasing the number of stakeholder dialogues compared to previous materiality assessments, but rather that the discussions simply became more comprehensive to align with the requirements from ESRS. For Company B and C, the determined material topics perhaps became a bit too extensive. Both the participants expressed that they received feedback from their accountant recommending them to narrow their scope of material topics within their value chain. They further explained that the auditors believed that the companies were assuming too much responsibility and influence in their value chain, which would be difficult for the auditing entity to confirm. Participant C raised an interesting thought of nationalistic normative pressure being the reason behind why Swedish companies may “over-report” against the existing requirements compared to other countries. Thus, being the social pressure driving companies to be at the forefront of sustainability reporting. However, both companies have followed their auditors' advice, in the absence of praxis, and chosen to tighten their output to ensure that their report passes scrutiny.

One last note regarding a wider scope, three of the representative companies (A, E, G) have experienced difficulties when collecting information and data from customers, supplier, and partners among the value chain. Company A and G, they both represent acquiring companies unlike Company E, who represents a real estate company, although with smaller companies in their real estate portfolio. Overall, the interviews suggest that large, complex, decentralized organizations face communication challenges, particularly in rapidly evolving domains like sustainability, necessitating cohesive collaboration for unified reporting. Participant G raised the challenge of managing a large decentralized conglomerate, highlighting the difficulty in

addressing legislative issues at the specific company level while maintaining the ability to report at the broader group level. Participant A encountered obstacles in gathering information from customers and suppliers of their subsidiary companies, primarily due to direct interactions occurring at the operational level. Additionally, participant E acknowledged shortcomings in interdepartmental and subsidiary collaboration, attributing them partly to the company's significant recent growth and the challenges faced in the real estate sector. Overall, the three interviews suggested that large, complex, decentralized organizations face communication challenges, particularly in rapidly evolving fields like sustainability reporting, necessitating cohesive collaboration for unified reporting. A possible foundational level for being able to sense, scan, and interpret risks and opportunities.

### **5.2.5. Collaborations**

Another way to share knowledge and information is through professional collaborations and partnerships such as industry and branch alliances. Among the interviewed companies, all participants (besides Participant F) expressed they collaborated within one or more alliances to share knowledge related to sustainability. And in line with the new mandatory reporting from the EU, the discussions have predominantly been about DMA and how to interpret the regulatory framework. Neither participant claim these collaborations for being new constellations, but they have, however, in recent time been developed and intensified with a major focus on ESRS symbolizing microfoundational evolvments. The alliances are described for being very helpful to collectively interpret the framework of ESRS and get a sense of whether you are doing things in line with how other do. Participant G points out that their collaboration add two important points. First, comparing and sharing the output of their DMAs to get a sense of whether they can trust their company's process. But also, for readers of the reports in the market to be able to compare companies so that they report on the same questions. She describes this mimetic process of shared interpretation and sense of agreement with a feeling of rationality. Participant H elaborates on this by emphasizing the relationship between companies' competitiveness and their collaboration linked to the purpose of sustainability reporting.

*“We're in the same situation, and our work towards customers and our competitiveness doesn't lie in these issues. Here we have every reason to try to help each other because*

*the fundamental purpose of all these regulations that have come is transparency and comparability.” (Participant H)*

Here the determination of what is considered material is not perceived to directly affect the competitiveness of the companies. Rather, it serves as a foundational step in establishing comparability within the industry. The idea is that these mutually identified and interpreted material topics will enable companies to work individually while allowing them to compare their respective progress. This sharing of information and knowledge could thus foster a competitive market environment that benefits both internal and external stakeholders while minimizing the risk of irrelevant reporting. The reflection put forth by Participant H was not unique but rather shared and discussed in all interviews with the respective companies who participated in various forms of alliances with an agenda of knowledge sharing and interpretation of regulations for transparency and comparability.

### **5.3. Seizing the identified through...**

In the second step of dynamic capabilities the company invest resources in sensed opportunities or threats through creating new microfoundational components or developing the existing structure which hopefully evolve into valuable resources. Additionally, the process could be initiated or pushed by coercive, normative, or mimetic pressures.

#### **5.3.1. Areas of Responsibility**

This first section presents interviewed companies creating new roles and departments due to preparation for regulatory compliance and by following the societal development. This is presented as seizing the identified by the fact it's a concrete organizational action in consequence of coercive and normative drivers. The section is the least obvious related to research question, but still noteworthy and important to highlight at this place in the results. Furthermore, the DMA is undoubtedly central within the new regulations, but it is important to emphasize that it may be the sustainability evolution and the holistic reporting itself that has led to the companies' actions in terms of preparation, rather than the components of DMA being the cause. Perhaps this section thus highlights the institutional pressures as the most central driving forces. However, this does not exclude the argument that the broader scope of materiality may have influenced the decision below.

Both Participant E and G explained that new positions of Sustainability Controllers were created due to the enlarged scope within mandatory sustainability reporting. Moreover, Participant A was appointed as Head of Sustainability during the autumn of 2023 who during the study-interview explained his most clearly formulated responsibility was stated as taking responsibility for the implementation and preparations for ESRS. A broader and more comprehensive regulatory framework, including more microfoundational components, naturally demands additional resources visualized in various forms of positions. Onwards, Participant D expressed a direct effect of expanded responsibilities associated with the implementation of ESRS. The decision is based on similarities observed between data collection for financial reporting and sustainability reporting. Participant D explains that much like they secure financial reporting, a new department for sustainability reporting will secure its data. The regulatory framework, characterized by a clearer integration of the financial perspective, will thus lead to a new department to ensure sustainability reporting, designed in a manner very similar to how they secure traditional financial reporting.

### **5.3.2. Routines and Processes**

After sensing the opportunities, threats, and impacts, Participant D express that existing routines and processes related to their company policies are being refined based on the output from their DMA.

*“We are now adjusting them [routines and processes] so that they really meet what is expected of us based on the results of the new materiality analysis.” (Participant D)*

The subsequent step of seize based on a newly established foundation through the DMA was a recurring theme during the interviews, with Participants B, C, D, E, F, G, and H explicitly confirming their work on updating company policies as effect of the output. Participant C explain that the policy-developments hopefully will enhance their internal and external communication as they managed to frame the business linked to circular economy more efficiently than before. On the same note, Participant E explain that their updated policies will clarify the future operational framework of the company which will cause a ripple effect on a group-wide level when communicated. Participant H admits that currently there is an enormous work taking place at the bank where information requirements and policies are delegated, questioned, and checked by its responsible department. While Participant G points out that the



output did not generate a revolutionized picture of what's material, it rather added additions, deepening, and nuances of their existing sustainability framework.

A second pattern was noticed in the interviews with Participants B, C, E and G where the coercive pressure has helped to push and finalize ongoing and stagnated processes. For example, Participant G express it as an opportunity to step up, rethink and evaluate risks and opportunities related to the aroused subject. Additionally, she adds that while regulations may accelerate certain processes, they also encourage a nuanced perspective, viewing them not solely as reporting requirements, but as something more comprehensive in form of an opportunity to grow and create value. All participants meant that while these processes were anticipated to be completed in the future, they were significantly pushed forward by the DMA.

During the first step of dynamic capabilities, it was highlighted how discussions within the organization regarding the subject had increased in scope and expertise. In connection with this, Company D, G, and H experienced and enhanced their internal communication in the following manner. Participant D suggests that as a result of the requirements for how the company manages sustainability issues, communication between the operational level and management has improved. He explains this by stating that the upstream process in the organization has evolved so that the board can adequately monitor sustainability issues. Meanwhile, Participant G and H point out that they have expedited and improved downstream communication to gather necessary data from the local level, as both companies are decentralized units with either subsidiary companies or locally representative office units. Therefore, both companies need to channel current issues to the responsible area. Ultimately, the three companies demonstrate that they have developed internal communication based on what they sensed necessary to address sustainability issues more efficient.

At last, by cause of an increased number of mandatory data points within material areas both Company D and E highlighted the importance of the new IT systems which will structure the companies' sustainability data. This kind of investment will lay the foundation for all data collection for the sustainability section in future reports. Participant E declared that the investment has been the start of a massive development for the company's sustainability efforts. The new system will provide them with a structure and overview of data on the subsidiary and

group level. During the interview with Participant D, it was revealed that the company was on the verge of investing in a new IT system but how the search for finding the right system had posed significant challenges for the company. The company had emphasized the importance of well-structured system that would be easy to implement at both the site and company levels but were suppliers have struggled to meet these demands in the relatively young market. On later contact with Participant C, the IT system was still missing. Therefore, as of now, Company E seized the opportunity by investing in a resource that will assist them in monitoring the progress of their sustainability journey and enable them to take well-informed action accordingly.

### **5.3.3. Strategy**

All interviewees, except of Participant F, pointed to the role of the DMA and its output when discussing business strategy. Although, three of the participants (B, C, E) expressed that they yet haven't progressed far enough in their work to integrate the output from the DMA into the company's strategy where it has stagnated at sensing, the remaining four participants (A, D, G, H) claim that their strategy and framework have already been seized based on what's been deemed material. The later four mentioned interviewees indicated a theme of strategically defined direction. Participant D and H explain that their strategic work on the issue has become much clearer due to the regulatory framework. Participant D declare that the post-analysis of the output helps them to perceive risks and opportunities which makes the company's transition plan more detailed. The clarity of the tool and its microfoundational components advance Company D and H forward. For Company A and G, they seem to utilize the output from their DMA as a foundation for their sustainability strategy. Below, Participant A explain how the output from the DMA indirectly shapes the future.

*“By means of the strategy, one could say that it is in the process of reshaping the entirety of what we should focus on in sustainability work. And that's what characterizes this entire year. And it characterizes what I do. So, in that sense, materiality analysis has quite a significant impact. Even though we think more that it is the strategy that governs. But the strategy has been informed by the materiality analysis.” (Participant A)*

Similarly, Participant G discussed how their company's strategic framework evolves continuously and always done so where the latest regulations have prompted them to examine the issue with a new lens which have generated supplements, deepening and nuances. Although

the DMA didn't provide a revolutionary image in any of the cases, it indirectly developed the existing strategy and framework in half of the studied companies along with an additional three visionary ones.

#### **5.3.4. Supplier Knowledge**

The two companies below portray how coercive pressure boost the value chain-awareness. The example of developed practices and thereafter increased knowledge is discussed by Participant B and D. Participant D explain ongoing initiatives with internal responsible departments to enhance monitoring of suppliers regarding supply code of conduct fulfillments. The measures are taken to ensure regulatory compliance but will moreover enhance the dialogues and collaborations between the company and its suppliers. Participant B explained how the evolving regulations has led to strengthened collaborations within their supply chain. Furthermore, she clarifies how the relationships are mutually beneficial, focused on helping each other's development to collectively contribute to creating a sustainable future, instead of terminating relationships with those who currently fail to meet their requirements. Conclusively, both Participant B and D highlighted investments to enhance downstream communication to ensure suppliers are fully aware of expectations and comply thereafter.

#### **5.3.5. External Resources**

The final observation of seizing the sensed display how all companies, except of Company A, have invested numerous of resources on services from consultancy firms related to the process of managing and conducting their DMAs, along with post-assessment activities. The collaborations have taken various forms, with Participant G, for example, expressing it as a valuable support during the process, somewhat comparable to her point about alliance cooperation. At the same time, Participant C expresses that the consulting firm they have engaged with has helped them execute, review, and assess the work within the DMA process, conducting workshops for employees while also conducting interviews with internal and external stakeholders. An intermediate approach could perhaps be described at the level of Company D, where Participant D explained that their collaboration consisted of consultants participating in internal workshops to identify all conceivable opportunities and risks they see or could arise in the future. Participant D justifies their use of consultants by stating the lack of manpower, i.e., they are "so lean and have so few people". Further on, collaborating with consultants on sensing aspects have for several participants evolved into utilizing their expertise

in seizing activities, enabling the refinement of processes to address gaps identified through the DMA related post-assessment. Regardless of the scope and number of resources they have been assisted with, all interviewed companies summarize that their partnership with consulting firms to comply with the ESRS has brought a sense of security during a new extensive process like the DMA.

#### **5.4. Transforming**

This last section would include a collection of resources transformed to better align with the changing business environment, imaginably pressured by coercive, normative, or mimetic drivers. However, since the interviews haven't shown any clear transformations in line the final stage of the conceptual framework, only one pattern is presented. It's worth noting that the seized opportunities and risks discussed with company representatives and presented in the previous section have laid a groundwork for the final stage.

Participant D, as cited above, expressed how their company refined its routines and processes in response to the output generated from the DMA. This, as previously presented, was not unique to the study, as the majority of the interviews exhibited the same behavior. However, the maturity of Company D's development seemed to have reached a next level, where the representative participant elaborated on how they are in a way redirecting the company based on the gathered information, which they clarify in their structure for how they govern the company. The motivation spanned from the advanced policies, work methods, and routines to a corporate infrastructure robust enough to capture what is necessary to create a detailed sustainability report. In addition to being primarily influenced by the new regulations, the company's decisions are in fact based on what is deemed material for the company which they now initiate work from. This indicate an ongoing process of transformation rather than having been transformed. Although, it is difficult to distinguish Company D too much from the other companies that have exhibited similar behavior, which means that aspects of the final stage cannot be justified strongly enough.

## **6. Discussion**

Regardless of the regulatory postponement from the Swedish Government, the observations show that all companies aim for their forthcoming sustainability report to be as compliant as possible, thus not shifting their preparations any further forward in time. The chapter discusses the presented results in relation to the study's literature review and theory following a similar structure as the results, highlighting the conceptual framework along with further elaborated themes and patterns.

### **6.1. Sensing**

Below follows a discussion regarding the findings presented as sensed opportunities and threats.

#### **6.1.1. Higher Presence of Sustainability**

When adding a perspective to the former materiality assessment, evolving into the DMA, the findings have shown how companies more naturally start to align financial concerns with their sustainability matters. As participants experienced how their DMA brought forth a common corporate language it resulted in enabling easier discussions on sustainability issues with other departments. The colleagues were now experiencing discussions in financial terms related to sustainability which was not as evident as before. While Torelli et al. (2020) promote how the former materiality assessment of advancing companies' understanding of risks and opportunities within their environment, the double perspective makes it even more powerful. Furthermore, most of the participants admitted that the general interest has grown as a response to the highly current regulatory framework coupled with demanding processes and activities such as the DMA. When a topic arises that may require involvement from larger parts of the organization, natural attention will also increase. As participants expressing their joy of including a wider group of competencies, experiencing a general buzz in the workplace, and a willingness to learn more related to the new sustainability regulations, the overall focus and engagement grows. These findings suggest an enhanced internal collaboration among multiple disciplines and departments, which Lu et al. (2022) explain as the foundation for integrated understanding (like sensing) of risks and opportunities. The DMA, in a way, compels companies that utilize the assessment extensively to involve more stakeholders, thereby incorporating a broader range of expertise and opinions stimulating a sustainable and inclusive way of working.

Most of the participants spoke about how their group management and board of directors were continuously involved along the way of implementing or/and determining the DMA output. The involvement manifested in various ways, ranging from merely approving the output to being more engaged during conducted risk management processes across the different topics of DMA. The assessment's utilization is thus highlighted in how companies involve the top of the organization, as the results indicate deficiencies in this aspect. For example, the findings presented how Company B and G incorporate the new perspective of DMA into their Enterprise Risk Assessments in a way to solve the issue of sustainability being separated from rest of the operations. This thus demonstrates how, as a result of coercive pressure, existing processes of scanning and interpreting risks are streamlined to something broader rather than creating new. This type of involvement in significant processes inevitably includes the company's top, streaming potential valuable information-gathering for the sustainability reports beyond the audit department, corresponding to the results found by Aureli et al. (2020). This once again demonstrates how DMA encourages the inclusion of a broader perspective that can be applied to existing processes rather than developing new ones. However, several participants failed to emphasize comparable achievements. Therefore, Andersson and Arvidsson's (2023) statement, encouraging for better involvement of the group management and the board of directors in the mapping, risk assessment, and risk handling processes to better understand its implications is still unachieved, despite the introduction of a new reporting mandate with opportunities of extensive linked assessments in mapping and risk assessments. The previous encouragement should remain, but additionally, I would argue that companies, if possible, should include the full range of sustainability risks and opportunities in already existing processes.

### **6.1.2. Addressing The Resource-Intensive DMA**

In line with Baumüller and Sopp (2022) and Baboukardos et al. (2023) who warned about the upcoming regulations being resource-intensive, the companies in this study showed no signs of an easy match. Visualized in tangible efforts through microfoundations of information dissemination, educations, and workshops together with significant amounts of resource-intensive meetings and arrangements to advance the work with DMA and its output. The involved employees will develop skills and knowledge thus advancing sustainability thinking aligning with Bello-Pintado et al. (2023)'s advocacy for organizational training and education acting as a deciding-factor in adopting and implementing sustainable practices. Interestingly, none of the participants complained over the extensive work being created, they rather saw how

the work would benefit them in a rational way through clarity, structure, and awareness. Moreover, this enhanced organizational engagement corresponds with Hummel and Bauernhofer's (2024) explanation that extensive regulatory change could bring forth increased internal discussions, fostering enhanced strategic awareness on the subject, in this study's case: the development of sustainability integration. The discussed learning, collective interpretation, and scanning align well with Teece's (2007) explanation of the first dynamic capability of shaping its path.

Continuously, the societal and coercive evolution demands companies to incorporate more perspectives, requiring more data, information, and knowledge which generally bring forth both turbulence and demands for resources (Baumüller & Sopp, 2022; Wagenhofer, 2024). This is both displayed in how studied companies received feedback from auditors to reduce their DMA output, facing the choice, in an immature regulatory environment without praxis, of excluding topics they want to report on but are considered overreporting according to professional audit. Further on, companies experienced that they had not yet received desired information from certain stakeholders considered of interest. One factor to consider regarding these two issues may be the size of the companies, as all mentioned companies are larger corporate groups with numerous interests. The former companies struggle internally to navigate what is truly material for them. The latter companies have difficulty obtaining sufficient external information for what they deem material. By investing substantial resources in a comprehensive DMA, internal and external problems can arise, which is not uncommon in an emerging field like sustainability reporting (Mahmood & Uddin, 2021). However, it is essential to lay the groundwork and overcome the first years of a new reporting mandate, similar to studies by Aureli et al. (2020) and Hummel and Bauernhofer (2024) on the effects of new reporting requirements in Europe, to later evolve.

### **6.1.3. Forming The Foundation for Competition**

The findings show how users collaborate within industry and branch alliances to share knowledge and experience relating to the new directive. And in the absence of established praxis and pending clarification in complex topics of the new standards, the alliances have functioned as a source of mimicry for own beneficial reasons. Accordingly, almost all participants explicitly said they have increased their external meetings and appointments related to sustainability reporting during the last year due to the coercive pressures. Similarly to the

findings regarding the advanced stakeholder dialogues, these alliance-meetings have not specifically expanded in terms of new constellations but rather in the scope and focus of DMA. Hence a recurring theme of DMA could possibly be described as contributing to a nuanced representation of reality based on the additional layer of materiality, visualizing additional risks and opportunities that have not yet been discovered. While the DMA relate to the same regulatory framework for all, the focus within the alliances has been on understanding and interpreting what is needed for a comparable reporting rather than on competitiveness. Although, the way the output is utilized the related action may still vary. While many participants expressed how the DMA will lead to a comparable reporting, the alliances could be seen as assisting the members in collectively establishing a regulatory foundation for comparable reporting. Subsequently, as discussed by Hummel and Bauernhofer (2024), this could in the next phase foster competitiveness in comparing KPIs. In the current dynamic and volatile environment of sustainability reporting, the studied companies have enhanced their collaborations, gaining the necessary competencies to create, adjust, and reallocate resources for compliance, thereby maintaining competitiveness and striving towards a competitive advantage.

## **6.2. Seizing**

Below follows a discussion regarding the results presented as seized opportunities and threats.

### **6.2.1. Driving Organizational Change**

The first presented seized risk grew out of the coercive advancements in combination with the normative development related to sustainability. The argumentation of presenting the new roles and the anticipated new department in this second part of the conceptual framework is based on the fact that the broader scope of materiality and thus the DMA may have been a part of the driving force for advancing the respective companies' area of responsibility. Keeping in mind that sustainability accounting and organizational change is an interrelated and co-evolutionary phenomenon (Garcia-Torea et al., 2023). Furthermore, a second reason behind presenting this result in the second step of the conceptual framework is based on how the company invest resources according to what they sense to be necessary for future development. The observed behavior could therefore be described as an identified risk of failing to meet coercive pressure. These investments have thus been made to enhance the competencies who carry out the



microfoundational components which may enable organizational dynamic capabilities, thereby representing the second step of the conceptual framework.

### **6.2.2. The Dynamic Infrastructure**

A clear theme from the results shows how seven out of eight companies already have begun to update their company policies in effect of the output from their DMA. The seizing to integrate the output in microfoundational components are according to Baumgartner (2014) essential for effective corporate sustainable management. The overall improvements of policies were noted to improve internal and external communication and clarify the operational frameworks through additions, deepening, and nuances. Furthermore, these actions correspond to what Lu et al. (2022) noted as a way to create value beyond sustainability reporting by influencing business practices through policies. An interesting observation regarding Company A, who left out mentioning any updated policies during the interview, was the only company who rejected help from consultants for the implementing and follow-up work related to their DMA output. This could be related to what Aureli et al. (2020)'s study demonstrated that consultants influence compliance with existing sustainability reporting standards, which in this case manifested in the form of professional audit routines providing both strategic and accelerating factors to disseminate the output into the other companies' processes and activities.

The significance of a possible strategically related assessment like the DMA holds an immense management interest, both in influencing the output and in controlling it. In addition to the management involvement discussed under sensed, the findings further demonstrated seized action. Against the background of coercive pressure and improved managerial involvement one of the studied companies developed a process for their group management to oversee the company's sustainability issues. Since the ESRS will play a central role in future annual reports, their group management will successively monitor the development of their sustainability issues for being able to act and control. Comparably, two of the studied companies developed their downstream communication towards local level for greater efficiency. Consequently, awarding a more accurate and respective contextual input, encouraged by Bello-Pintado et al. (2023) to address stakeholders' rapidly changing interests, stated by Christensen et al. (2021) as a valuable aspect for dynamic adaptation. The findings show how imperfect areas identified as material within the companies' DMA have been further invested through microfoundational maintenance and improvements of competences and complementary assets strengthening

internal downstream and upstream communication. Comparable trends are seen in previous research (e.g. Aureli et al., 2020; She, 2022) in terms of mandatory reporting advancing internal processes beyond the audit department.

In addition to identifying areas deemed material for their operations through the DMA, companies are required to disclose their governance and strategy addressing these topics, along with their impacts, risks, opportunities, current progress, and goals (ESRS 1, 2023). The subsequent microfoundational work, which includes tasks such as data collection, monitoring, structuring, controlling, and interpretation, will necessitate IT systems that encompass either parts or the entirety of these solutions. Apart from providing stakeholders with decisive data to assess investment risks appearing from social and environmental issues, as well as the impact of companies' activities on people and the environment (European Commission, 2023b), the system may also provide the using company with accurate data for action. Only one of the studied companies explicitly said how they have seized this opportunity and invested in new IT system to help them in gathering, structuring, and monitoring sustainability-related data. Hence, the findings underscore the challenge of identifying an IT system that aligns with both the regulatory framework and the preferences of the companies. However, when found, a comprehensive overview may allow managers with valuable information regarding opportunities and risks related to the previous paragraph of communication, consequently presenting a possibility for greater board and management engagement. These findings further display how mandatory disclosure together with the DMA have the power to affect and influence an entire organization.

### **6.2.3. Shaping The Future**

A clear theme was discovered in the first step of the conceptual framework where almost all studied companies mentioned the output form DMA being important when shaping their vision of a future sustainability strategy. Moreover, half of the studied companies had later seized the thought and developed their strategy going forward. Hummel and Bauernhofer (2024) explain the first phase of becoming compliant, through strategic positioning, as the beginning of transforming the company. The studied companies jointly demonstrated to alter strategically by updating processes, policies, and routines to strategically redirect or refine the company's direction in response to coercive pressure. Building on Jørgensen et al. (2022)'s recommendation on how the materiality assessment should lay the groundwork for a company's

sustainability strategy, the findings from this study show how the output from the DMA has the power to indirectly shape the future of their company, as participants confirm how the strategy has been informed by the assessment. In the same manner, several participants explain how ESRS have given them the opportunity to form a clear picture of how to address sustainability issues henceforward together with the output from the DMA generating supplements, deepening, and nuances to already known material topics. This study's findings of seized strategical opportunities are comparable to Aureli et al. (2020)'s results of greater strategical awareness after complying with the new regulations due to internal developments. Ultimately, several studied companies may be described of utilizing the DMA in a way which foster value beyond sustainability reporting.

#### **6.2.4. Driving Real Impact for Suppliers**

While the findings of this study confirm previously research within the field of mandatory sustainability reporting improving stakeholder dialogues (e.g., Aureli et al., 2020; Blanco et al., 2017; Christensen et al., 2021; She, 2022), it was not specifically the number of dialogues claimed to drive the development but rather the extent of the discussions. The majority of participants stated that they have been in contact with most of the stakeholders before, but with the DMA and its content and scope, the discussions needed to have a broader agenda. Along these discussions, suppliers were put forth as an area of materiality which have gained a considerable amount of focus since the studied companies worked through their DMAs. A reason for this is the present consistent theme from society led by the current and promising European directives putting companies responsible to be aware of and accountable for their impact along their value chain. Related to how Christensen et al. (2021) argue for transparency and the weight of mandatory disclosure impacting companies with positive and/or negative consequences, all participants highlighted the area of suppliers with need for improvements for compliance. The findings show how two of studied companies already invested resources within the area of suppliers, where forthcoming reports presumably will disclose these actions along with a current status report. While coercive pressure force change, with the DMA pointing out and clarifying the risk perspective for companies, the findings indicate how forthcoming reports may disclose valuable information for stakeholders related to the companies' value chain. Furthermore, if we assume similar effect as previously proven research by Christensen et al. (2017) and She (2023) of how disclosure mandate related to the value chain fosters real

impact beyond sustainability reporting due to real actions, the findings of this study should indicate upcoming improvements internally and externally.

### **6.2.5. The Normative Way of Sustainability Related Activities**

Along the argument of the new regulatory framework being resource-intensive, seven out of eight companies have contracted “partnerships” with consultants to implement the DMA and the work ahead. This utilization of external resources was motivated by reasons ranging from aggregating man-hours to obtaining expertise in the field. Since most companies chose to utilize consultants for assistance during the DMA work, it portrays the complexity behind the new regulations. Previous introduction and presentations on the subject for this study raised questions about the relevance of reported information (Andersson & Arvidsson, 2023), the extensive requirements (Baboukardos et al., 2023), and consequently, an increasing responsibility requiring more resources (Baumüller & Sopp, 2022). Consultants assist companies in finding, creating, and shaping their output from the DMA because the ESRS regulations require certain actions which they apparently can’t accomplish on their own. Consultants thus bear a significant responsibility to deliver and, in a way, shape the market as they assist the majority of it. It may also be argued that compliance with regulations and being dynamic is not possible without external help, as companies lack the internal knowledge and resources to manage it independently. If it seems that the norm requires external assistance, perhaps a company’s survival requires following the norm to stay dynamic. Aureli et al. (2020) pointed out that failure to comply with the current professional audit culture can lead to decreased reputation and credibility within the industry. The question is whether companies really should rely on external help to conduct analyses of risks and opportunities within their own operations or if the standards are too broad to conduct on their own. Too broad or imaginably lacking enough sustainability related recourses making companies unable to carry out new regulatory compliance on their own. Nevertheless, the findings demonstrate a high demand for knowledge and expertise for nowadays large companies, regardless industry, to become compliant with ESRS. And drawing from Teece et al. (1997, p. 516)’s motivation that a company’s competitive advantage in a dynamic market depends on its ability to use “internal and external competences to address the rapidly changing environments”, I argue for the studied companies’ showing tendencies of seizing within sustainability reporting based on the theoretical framework.

### **6.3. Transformation Within Reach**

The emerging field of sustainability reporting, coupled with recently updated mandatory disclosures, may explain why companies have not yet demonstrated actions aligning with transformation through dynamic capabilities. Only tendencies or glimpses of initiated transformed resources are shown by Company D who display a certain maturity in laying the foundational groundwork for sustainability reporting to come. This is visualized through a seized forthcoming sustainability department, developed downstream and upstream communication, enhanced involvement from top management and the board, a new IT system under investigation, improved stakeholder dialogues and collaborations, clarified strategical framework, and adjusted routines and processes. Within all these areas, Company D has been prominent, where the DMA, together with the coercive pressure of ESRS and normative push from external services, have helped shape the company's path within the field of sustainability reporting.

However, the findings indicate several companies as closely behind showing full on seized risks and opportunities but lacking the final transformational action. Since ESRS has not yet come into effect and considering that the study by Hummel and Bauernhofer (2024) showed that significant internal effects due to changes in legal requirements take time. Just as the study by Aureli et al. (2020) demonstrated that internal efficiency and economic benefits associated with new practices do not begin to emerge until the second year after compliance with a new reporting mandate, most of the participating companies in this study may be able to demonstrate transformative appearances in the coming years.

## 7. Conclusions

The aim of this study was to explore how an institutional driven process such as the DMA is strategically utilized and if the generated output could lead to change in companies' governance, operations, and practices. In search for how companies are internally affected by the work with and from the DMA, an examination was conducted into the backstage of sustainability reporting. While interviewing representatives from eight large Swedish companies in preparation to comply under CSRD from 2025, insights were gained into how the DMA and its output may impact these companies.

The findings show how the DMA is claimed to lay the foundation and structure for a company's sustainability focus with numerous areas of example on how the assessment have the power to affect its user. To begin with, the findings highlight how the implementation of the DMA have helped to develop internal and external discussions through a common corporate language, increased sustainability-interest among the colleagues and advanced knowledge-sharing through a greater integration of thoughts and perspectives. Moreover, the DMA commonly highlighted suppliers as an area for greater disclosure, have fostered advanced stakeholder dialogues, shaped companies' sustainability strategies and at last restructured the infrastructure through new audit departments, processes, routines, systems, and policies. Summarily, the DMA and its resulting output have the potential to impact and stimulate internal change.

In addition, this study contributes to the current domain by revealing how companies' dynamic capabilities within the field of sustainability reporting depends on external competences. As seven out of eight companies have bought external services in form of consultants to help them perform their DMAs, the arrangement symbolize a lack of internal recourses or perhaps a too advanced regulatory framework, confirming the predictions from Baumüller and Sopp (2022) and Baboukardos et al. (2023) on an advanced requirement of resources. However, the findings from this study indicate that professional audits accelerate companies' strategic work towards compliance with CSRD through expertise and structure. Conclusively, while the corporate norm of using consultants seem to have its benefits, the dependency on external help to comply with a new disclosure mandate may raise questions of insufficient internal resources related to companies' sustainability reporting practices.

## **8. Suggestions for future research**

Sustainability reporting frequently overlooks key information, yet this study identified the opposite problem. Two companies revealed how their auditors advised them to narrow their material topics. The two companies faced challenges in excluding areas they considered socially responsible, even though they were deemed non-material by professionals. The auditor have told one of the participants how they encountered the issue of a too narrowed output of materiality from companies outside of Sweden. This observation suggests potential national differences in the interpretation of the new ESRS, with Swedish companies possibly assuming greater responsibility for sustainability. Future research should explore these international differences in ESRS compliance.

Furthermore, I recommend conducting a similar study in the near future, once regulatory compliance has matured and reporting companies have had sufficient time to adapt. This current study was undertaken at a stage when reporting had not yet commenced, and companies were at various stages of preparation for ESRS. A follow-up study could provide insights into how companies' microfoundational components have evolved after an extended period under the influence of ESRS. Additionally, investigating small and medium-sized enterprises that will soon be required to report under ESRS could yield significant findings, as these companies have not previously faced the same sustainability reporting requirements.

At last, I recommend future research to explore the long-term effects of relying on external consultants for sustainability reporting on companies' internal capabilities. Specifically, it would be valuable to investigate whether this dependency hinders the development of in-house expertise and resilience in complying with evolving regulatory frameworks. Additionally, examining the potential differences in outcomes between companies that heavily rely on external services and those that invest in building internal capacities could provide insights into best practices for sustainable compliance with ESRS mandate. This research could further clarify whether the use of consultants, while beneficial in the short term, may impede the cultivation of robust internal resources and dynamic capabilities within companies.

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## **Appendix A – Information sheet to interviewees**

### **Information sheet**

The interview is planned to follow the structure below, consisting of two parts: (I) the time during the implementation of the double materiality assessment and (II) the time after the implementation of the double materiality assessment. Below are sample questions for what the two parts will include.

#### **Part I: The time during the implementation of the double materiality assessment.**

- How has the execution of your materiality assessment looked like? Would you like to describe the process?
- Who has been involved in the work?
- How has the dialogue with stakeholders been during your work to determine which areas are material?
- What challenges have you faced during the work with the double materiality assessment?

#### **Part II: The time after the implementation of the double materiality analysis.**

- Could you provide examples of what has happened after you conducted the double materiality assessment?
- Did you identify new material during the work that you had not previously reported on? If so, could you provide examples of these areas and explain how they came to be considered material?
- How is the output used besides creating a sustainability report? What other processes does it enter or is planned to enter into?
- How do you view consultancy firms' marketing about taking advantage of the opportunities arising from this new framework in sustainability reporting to find value-creating opportunities?



## **Appendix B – The interview-guide**

Thank you for taking the time to meet with me for an interview regarding my thesis. This thesis explores how double materiality assessments are conducted and how the output produced is further utilized within the company. I will begin the interview by asking questions about you before moving on to the first part of the interview, which covers the period during the implementation of the double materiality assessment. Then, the interview will transition to the period after the implementation.

As previously mentioned, the interview is not expected to exceed 50 minutes, and you may choose to end the interview at any time without reason. The interview will also be recorded, and the transcription will be archived anonymously and deleted after the thesis has been graded.

-----

Are you willing to be recorded?

**START RECORDING**

And again, are you willing to be recorded?

Do you have any questions before we begin?

-----

### ***About the Interviewee***

Could you briefly start by describing your career?

How long have you been working in sustainability and specifically in reporting?

What responsibility/role do you have regarding the double materiality assessment and its implementation?

### ***During the Implementation of the Dual Materiality Assessment***

1. How would you describe the double materiality assessment?
2. What did the double materiality assessment entail for your company?
3. What has the execution of your double materiality assessment looked like? Would you like to describe the process?

When did you start the work?

Who internally has been/is/will be involved in the process?

4. In what ways has the materiality assessment process been renewed, expanded, or remained the same compared to previous years?
5. Have you utilized the double materiality assessment more than required by regulations?
6. How has the dialogue with stakeholders been during your work to determine which areas are material?  
Is this different from how you previously engaged with your stakeholders?  
Have they had any new demands on you?  
What does your future contact look like?
7. Did you seek assistance with the implementation of the materiality assessment?
8. Have you been involved in any industry alliances, forums, or similar to share knowledge and insights?
9. Can you provide an estimate of how many resources (time/personnel) you have allocated to your materiality assessment compared to previous years?  
Where has this time and personnel come from? Hiring more? Redistribution?
10. Finally, what challenges have you faced during the work with the double materiality assessment?

***After the Implementation of the Dual Materiality Assessment***

1. Could you provide examples of anything that has happened after you completed the double materiality assessment?
2. What was next after you completed the dual materiality assessment?
3. Has your awareness of the value chain changed since the implementation of the double materiality assessment?
4. Did you discover new material areas during the work of the double materiality assessment that you have not previously reported on?  
Do you have an example of how this was previously considered non-material?  
In addition to this: Did you discover new risks, opportunities, or areas of influence? -  
And if so, what role will these play in your company in the future?
5. How is the output used beyond creating a sustainability report? What other processes does it enter? (strategic planning, departments, etc.)

Is there a plan today that you can share on how the dissemination of the output from the materiality assessment might look?

6. Are you aware of whether the work or results of the double materiality assessment have already had any impact internally? - If so, how?
7. How often will you conduct your double materiality assessment in the future?
8. How do you view the marketing of consulting firms to seize the opportunity arising from this new sustainability reporting regulation to find opportunities that can create value?

Do you have an example of a newly discovered value that you have the opportunity to create?

9. We previously discussed your challenges during the work with the double materiality assessment, but what challenges have you faced after the work with the double materiality assessment?
10. Finally - This concluding question is about how you feel you have been able to utilize the dual materiality assessment. Do you feel today that the work with the double materiality assessment has helped or hindered you?

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**END RECORDING**