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Adapting the new regulation of sustainability accounting

The logics behind managerial choices and the effect on practices

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Abstract

Title: Adapting the new regulation of sustainability accounting - The logics behind managerial choices and the effect on practices

Aim: The study aims to explore which logics that drive managerial choices in the initial phase of adapting the new regulation of sustainability accounting. The study further aims to explore how the managerial choices made affect the practices of an organization.

Methodology: To answer the research questions of the study, a case study has been performed at an organization active in the construction industry. The data generated has been collected through interviews, observations and document reviews. Individual interviews have been held with nine managers at three different occasions. The managers have been observed in smaller groups at two occasions. To complement the interviews and observations, external and internal documents related to the process of adaptation have been reviewed.

Findings and Conclusion: Different logics have been found to drive managerial choices when adapting the new regulation of sustainability accounting. Two of the three small groups were driven by logics related to their profession in the organization. The remaining group was driven by the willingness to create and contribute to value for the organization, both internally and externally. Internally, the managers were driven by the improved communication value. Externally, the managers were driven by the creation of value to stakeholders. All three of the groups were however driven by field-level logics. Tendencies to new practices related to the managerial choices made have additionally been found, where improvements in several areas have been identified.

Contribution: This study contributes with knowledge of how logics affect managerial choices when adapting the new regulation of sustainability accounting at an initial phase. This study contributes with knowledge of how the managerial choices made affect the practices in an organization, relating the choices made to the concept of isopraxism. Since research in isopraxism is limited this study further contributes with an additional perspective of how isopraxism can become evident in an organization when adapting a new idea. This study further contributes with implications of how a Swedish organization adapts the new regulation. Finally, this study give answer to the criticism raised in media of the potential positive and negative effects in practice.

Key words: Sustainability reporting, European Directive 2014/95/EU, adaptation process, institutional theory, institutional logics, isomorphism, isopraxism.

Table of Content

1. Introduction

The introduction presents the background and problem related to the area. In addition, the aim and the research questions of the study are presented.

1.1 Background

As a result from the negative implications of globalization, sustainability has become one of the most discussed topics in society. As emphasized by Nidumolu, Prahalad and Rangaswami (2009, p.57), “there’s no alternative to sustainable development”. Society is facing major challenges, and businesses are held accountable (Nidumolu, Prahalad & Rangaswami, 2009; Porter & Kramer, 2011). Some industries have been accused for being more responsible for the major challenges than others, e.g. the fashion industry (Bigliardi & Bottani, 2012), the food industry (Manfredi & Vignali, 2014) and the construction industry (Bragança, Vieira & Andrade, 2014; Zhong & Wu, 2015), which e.g. have been accused for excessive consumption of global scare resources (Ding, 2008) and environmental pollution (Yilmaz & Bakis, 2015). As a result from the accusations, organizations have become more active in their reporting (Kolk, 2004). Between 1999 and 2011, the 250 largest global organizations that reported non-financial information increased from 25 % to 95 %. The increase can additionally be illustrated by the continuous development of frameworks and guidelines, which enables the reporting of non-financial information (KPMG, 2011). However, to further increase the number of entities that report non-financial information, the European Union approved a directive, the European Directive 2014/95/EU of non-financial and diversity information, in 2014. The directive, which had to be implemented in the legislation of each member state by December 2016, became mandatory for enterprises that fulfilled more than one of three criteria of turnover, number of employees and balance sheet in total, for financial years starting after the 31st of December 2016 (European Union, 2014). The new regulation of sustainability accounting became incorporated in the Swedish Annual Accounts Act (1995:1554) by the 1st of June 2016 and will affect approximately 2000 Swedish entities (Andersson & Norberg, 2015). Among those, only a low percentage has reported non-financial information in the previous (Alestig, 2015). The majority of the affected entities will thus be enforced to make changes in their process of reporting.

The adaptation process of new accounting regulations, standards, and practices have been found to be complex (Mennicken, 2008; Baker, Biondi & Zhang, 2010) where organizations can come to be affected by adaptation errors. Errors in an adaptation process have been found to differ between early and late adopters, where errors tend to become larger for early adopters and smaller for later adopters. To minimize the errors, which can come to delay or prevent the process, entities tend to seek congruence with others, thus relating the process of adaptation to the gaining of legitimacy (Pilcher, 2011). An adaptation process can further come to be affected by logics that appears in the society, which influence behavior through interest, identities, values and assumptions (Järvenpää & Länsiluoto, 2016). Logics that appear in society can therefore affect the choices made when adapting new regulations and come to affect the outcome of the process (Järvenpää & Länsiluoto, 2016). The adaptations of regulation, often referred to ideas, have been found to travel through an organization with or without reinvention (Erlingsdottir, 1999). If the idea is not reinvented, but only translated into an administrative ritual, the adaptation has been related to isomorphism (Erlingsdottir & Lindberg, 2005). Isomorphism, which originates from institutional theory, is explained as homogeneity in form, where the idea can be decoupled from organizational routines. If the idea on the other hand is reinvented and translated into action, changing previous routines or creating new, the adaptation has been related to isopraxism. Isopraxism is explained as homogeneity in practice, where the idea cannot be decoupled from organizational routines (Erlingsdottir, 1999; Erlingsdottir & Lindberg, 2005). Adapting new regulations, standards and practices can then come to be affected by several factors, which can impact the overall process (Mennicken, 2008; Baker, Biondi & Zhang, 2010; Järvenpää & Länsiluoto, 2016).

1.2 Problem

The new regulation of sustainability accounting that got initiated by the European Union in 2014 has caused fierce debate. The premise of the debate is grounded on the circumstance that the majority of the entities obligated to follow the regulation have not accounted for non-financial information in the previous. In the debate, it is emphasized that organizations lack the time and knowledge necessary to adapt the regulation, which in turn has been argued to increase costs (Alestig, 2015). In opposite, the regulation has been argued to result in a reduction of costs in the long-run, since investments can be improved by having increased knowledge in sustainability (Larsson, 2015). However, no matter the consequences, adapting the new regulation of sustainability accounting will result in changes of how organizations report their information.

As sustainability is commonly known to involve three perspectives, i.e. environmental, social and financial, the adaptation of the new regulation can come to involve employees from several areas and professions. The more employees involved, the more logics that influence behavior will then be apparent in the process. As logics can come to contradict, logics can thus, together with the complexity of the new regulation initially (Alestig, 2015), result in consequences for an organization that can affect the overall outcome of the adaptation. Will the logics that are apparent in the process affect whether the regulation travels through an organization with or without reinvention? Will the logics that are apparent in the process affect if the regulation will be translated into an administrative ritual, i.e. isomorphism? Or result in changes of practices, i.e. isopraxism? As research in isopraxism is limited and the pressure on organizations to account for their responsibility increases, the concern of whether obligating sustainability reporting would end up in new practices is thus raised. The critique that the regulation has received, together with the impact of logics and the limited research in isopraxism, have resulted in the aim of this study.

1.3 Aim

The study aims to explore which logics that drive managerial choices in the initial phase of adapting the new regulation of sustainability accounting. The study further aims to explore how the managerial choices made affect the practices of an organization.

1.4 Research questions

- Which logics drive managerial choices when adapting the new regulation of sustainability accounting in an organization?
- How do the managerial choices of sustainability accounting affect the practices in an organization?

1.5 Outline

In the first chapter, an introduction to the study was presented through background, problem, aim, and research questions. The second chapter will present the theoretical framework of the study, where theories, concepts and previous knowledge are presented. The third chapter will present the method used in the study, were the industry and respondents selected, in addition to the data collection and analysis, are presented. The fourth chapter will present the empirical findings of the study, i.e. the data generated from the interviews, observations and document reviews, which will be used for the discussion of the study. The fifth chapter will present the discussion, where the theoretical framework will be compared to the empirical findings. The sixth and final chapter will present the conclusions of the study, in addition to contribution and proposal for future research.

2. Frame of reference

The frame of reference presents the theories, concepts and previous knowledge related to the area. The theories, concepts and previous knowledge presented in the following section will be used in the discussion.

2.1 Regulation of non-financial information

There are several organizations that develop frameworks for the reporting of non-financial information, where major providers include the Global Reporting Initiative (GRI), the Organization for Economic Co-operation and Development, the United Nations Global Compact and the International Organization for Standardization (Global Reporting Initiative, 2017). Among the major providers, the sustainability reporting standards of GRI are the standards most widely used (Global Reporting Initiative, 2017).

2.1.1 Global Reporting Initiative

Founded by the The Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environmental Programme (UNEP), GRI has since 1998 been one of the leading publishers of guidelines for non-financial information. The vision of the organization has, since the first guidelines got published in 2000, been to “create a future where sustainability is integral to every organization’s decision making process” (Global Reporting Initiative, 2017). The aim of the organization is then to enhance organizational responsibility from a financial and non-financial perspective through the establishment of guidelines, thus integrating the perspectives of sustainability in the business decision-making process among organizations (Willis, 2003; Gordon, 2004; Isaksson & Steimle, 2009). By adopting the guidelines of GRI, sustainability will then be incorporated in strategy, which will improve internal processes (Lozano, 2006). Organizational transparency of non-financial information is in addition stated to be improved, which increases trust among organizational stakeholders (Global Reporting Initiative, 2017).

Since the first guidelines got published in 2000, four versions have been released, where the latest versions of the guidelines, GRI G4, was launched in May 2013. The vision of the G4-guidelines is to receive recognition to the same extent as the International Accounting Standards Board (IASB) and to become universally applicable to all types of organizations, independent of country, industry or size. The latest emitted version of the guidelines is then designed to be compatible and harmonized with other global frameworks of importance, such as the OECD Guidelines for Multinational Enterprises, the UN Global Compact Principles, and the UN Guiding Principles on Business and Human (Global Reporting Initiative, 2017).

2.1.2 European Directive 2014/95/EU

In 2014, the European Parliament and the Council of the European Union approved the European Directive 2014/95/EU on disclosure of non-financial and diversity information (European Union, 2014). The new regulation of sustainability accounting aims to increase transparency among European organizations, both public and private, by requiring entities to disclose their financial, social and environmental information. The directive then seeks to ensure equal rights for the reporting of non-financial information among organizations in the European Union, which in turn aims to enhance comparability among European entities. The directive affects European enterprises that meet more than one of three criteria of number of employees, balance sheet in total and turnover, for the two previous financial years. In addition to fulfilling more than one of the three criteria, organizations of public interest e.g. public and listed entities in addition to entities of social support e.g. health care, are also required to disclose their financial, social and environmental information (European Union, 2014; EY, 2015).

The new directive had to be incorporated in national legislation among the member's states of the European Union by the 1st of December 2016. Entities affected by the regulation will thus be obligated to disclose financial, social and environmental information from financial years starting after the 31st of December 2016. The Swedish government incorporated the directive in the Swedish legislation, the Swedish Annual Accounts Act (1995:1554), by the 1st of June 2016 with the criteria of 250 employees, a balance sheet total of 175 million SEK and a turnover of 350 million SEK. The first of the three criteria, number of employees, has been lowered in relation to the criteria stated by the European Union to include more Swedish organizations. By the change, 1700 additional entities became affected by the regulation. Approximately 2000 Swedish entities will then be obligated to disclose their financial, social and environmental information from the financial year starting after the 31st of December 2016 (EY, 2015). The regulation allows enterprises to have flexibility in their choice of framework and their choice of guidelines when disclosing their non-financial information. The Swedish Annual Accounts Act (1995:1554) does however state that the report should include business models, relevant key performance indicators, applied policies in the three perspectives of sustainability, results from the policies, significant risks related to the business and the actions taken to manage the risks (Swedish Annual Accounts Act, 2017). The Swedish Annual Accounts Act (1995:1554) then states that the report should include disclosures necessary for understanding the performance and the development in the three areas of sustainability.

2.2 Adapting accounting regulations

The complexity of adapting accounting regulations, standards and practices is a central issue in the area of accounting, addressed in a rich literature (Brunsson & Jacobsen, 2000; Barrett, Cooper & Jamal, 2005; Suddaby, Cooper & Greenwood, 2007; Mennicken, 2008; Baker, Biondi & Zhang, 2010). Recent studies in the area have been focused on the adaptation of global accounting standards, such as the IFRS and the US GAAP (Mennicken, 2008; Pope &

Mcleay, 2011; Connolly & Wall, 2012) and the adaptation of sustainability practices (Steyn, 2014; Upstill-Goddard et al., 2016). Pope and Mcleay (2011), Pilcher (2011) and Connolly and Wall (2012) have e.g. identified differences in adaptation errors among early and late adopters when implementing IFRS, were errors in the process of adaptation have been found to be larger for early adopters and smaller for later adopters. The results of the studies have in turn been linked to institutional theory and the concept of isomorphism, since late adopters have been found to seek congruence with early, thereby reducing the risk of making mistakes (Pilcher, 2011). The role of the Chief Financial Officer and the involvement of employees in all levels of an organization have additionally been found to be crucial in the adaptation of accounting regulations, standards and practices (Connolly & Wall, 2012; Schneider, Wallenburg & Fabel, 2014).

In addition to the adaptation of IFRS and US GAAP, adaptation of sustainability accounting practices has recently been addressed in the accounting literature. Upstill-Goddard et al. (2016) has for example studied the adaptation process of sustainability practices between two Europe-based Small and Medium-Sized Entities (SMEs) operating in the construction industry. Previous studies in adaptation processes among SMEs have found that entities have been motivated to implement standards or practices if there is an immediate link to financial benefits. The results of the study performed by Upstill-Goddard et al. (2016) did however differ against previous findings, since the results showed that the adaptation of sustainability practices was motivated by stakeholder pressure, not by immediate financial benefits. The two observed SMEs were then, in line with larger entities in the construction industry, found to be motivated by legitimacy (Upstill-Goddard et al., 2016). An additional study that investigates an adaptation process of sustainability practice is the study of Steyn (2014) where the adaptation process of Integrated Reporting (<IR>) was observed among entities in South Africa. South Africa, which is observed to be a pioneer in sustainability practices, made it obligated for listed entities to account for non- financial information in line with <IR> in 2010. The result of the study showed that entities that were not obligated to account for non-financial information voluntarily reported non-financial activities in line with <IR> because of pressure from stakeholders. In line with the result of Upstill-Goddard et al. (2016), entities were thus found to be motivated to report their non-financial activities to gain legitimacy (Steyn, 2014).

2.3 Institutional and neoinstitutional theory

Institutional theory has since the middle of the 19th century served as a conceptual framework and research tradition in areas such as economics, sociology and political science (Eriksson-Zetterquist, 2009; Scott, 2001). The central idea of institutional theory, which has roots from thoughts of Weber (DiMaggio & Powell, 1983), Durkheim (Douglas, 1987) and Schutz (Berger & Luckmann, 1966), is that institutions emerge when people construct their social reality (Erlingsdottir, 1999). An institution can be defined as a social behavior more or less taken for granted, underpinned by normative systems and cognitive understandings (Greenwood et al., 2008). Based on the central idea and the concept of institution, institutional theory has highlighted why organizations act in line with the expected, how organizations are affected by external surroundings, and how organizations will follow formal and informal rules, rather than act rational (Eriksson-Zetterquist, 2009).

A perspective that developed from institutional theory in the latter part of the 20th century was neoinstitutional theory. The development of the theory can mainly be withdrawn to two papers (Greenwood et al., 2008; Eriksson-Zetterquist, 2009), the papers of Meyer and Rowan (1977) and DiMaggio and Powell (1983). In the two papers, the concepts of institutional myths, the homogeneity among organizations, and the gaining of legitimacy are presented as central to the new theoretical perspective (Eriksson-Zetterquist, 2009). By the concept of myths, such as techniques and programs, Meyer and Rowan (1977) stated that formal structure among organizations in an industry tends to become similar and homogenous, since organizations within the same institutional surrounding tend to realize the same myths. In turn, the concept of legitimacy is central to the theory, since organizations that do not realize myths of the institutional surroundings will be observed as negligent and thus reduces their chances of being perceived as legitimate. Neoinstitutional theory then assumes that organizational success is related to the ability of adapting structures and processes to changes in the external environment. The majority of research in neoinstitutional theory has then been used to motivate and explain organizational change in relation to changes in external expectations (Greenwood & Hinings, 1996; Hoffman, 1999), since organizational change is perceived to be central to gain legitimacy (Meyer & Rowan, 1977).

2.3.1 Institutional logics

The institutional surroundings that define the social reality of organizations are subject to institutional logics (Ertimur & Coskuner-Balli, 2015). The concept of institutional logics was introduced by Friedland and Alford in 1985 to explain the contradictory practices and beliefs inherent in institutions (Järvenpää & Länsiluoto, 2016) where capitalism, state bureaucracy and political democracy were presented as three institutional orders of different practices and beliefs (Thornton & Ocasio, 1999). By the three institutional orders, Friedland and Alford (1991) assumed that the core institutions of the society, e.g. capitalism, influenced behavior of individuals and organizations by central logics. Interests, identities, values and assumptions of individuals and organizations were thus assumed to be strongly connected to institutional logics (Järvenpää & Länsiluoto, 2016). From a neoinstitutional perspective, institutional logics are additionally divided between two fields of logics, high-order societal logics and field-level logics (Friedland & Alford, 1991; Thornton & Ocasio, 1999). The first of the two fields, high-order societal logics, is related to the major institutions of society, i.e. religion, state, market, profession and family, which all prescribe principles, practices and symbols that influence behavior among individuals and organizations (Thornton & Ocasio, 1999). The latter field, the field-level logics, create rules, meanings and valuation orders for decision-making among individuals and organizations.

The existence of multiple logics indicates that two institutional logics might be in conflict (Reay & Hinings, 2009; Kilfoyle & Richardson, 2011; Rautiainen & Järvenpää, 2012; Ertimur & Coskuner-Balli, 2015). Moorman (2002) exemplifies a situation in healthcare where institutional logics of the market comes into conflict with the institutional logics of profession, since logics of the market tend to focus on the efficiency of cost in differ to the logics of profession which tend to focus on quality of patient care. Thornton and Ocasio (1999), Jones (2010) and Rautiainen and Järvenpää (2012) further exemplify the conflict between environmental management issues and profit maximization, as an example of competitive institutional logics in accounting. In addition to competition between two fields of logics, competition has also been found to exist in one field of logics. Moorman (2002) e.g. emphasize that logics within profession can differ, and additionally use healthcare to statute the competition. The quality of healthcare can e.g. be defined as innovative diagnostic treatments to science logics, but be defined as preventive care-to-care logics (Dunn & Jones, 2010). The competition among, as well as within, fields of logics can however help, delay or prevent organizational change (Järvenpää & Länsiluoto, 2016). Friedland and Alford (1991) and Thornton, Jones and Kury (2005) have found competition to be triggers for evolution, which indicates that institutional logics are important in the process of organizational change. Järvenpää and Länsiluoto (2016) have however found competition of institutional logics to be the opposite, to prevent the process of change due to contradicting values and beliefs.

2.3.2 Isomorphism

The process of homogenization, where organizations in the same institutional surrounding tend to realize the same myths and become similar in terms of structures and processes, can be further explained by the concept of isomorphism (DiMaggio & Powell, 1983). Isomorphism can be defined as "a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions" (DiMaggio & Powell, 1991: p. 66). The concept of isomorphism can thus e.g. explain why politics and ceremonies permeate entities in common industries, operating at a certain era in time (Eriksson-Zetterquist, 2009). The concept of isomorphism can be divided between two areas, i.e. competitive isomorphism and institutional isomorphism, where the first relates to how competitive factors indulge organizations to adapt to changes. Competitive isomorphism per se however fails when accounting for organizational change and is therefore complemented with institutional isomorphism (DiMaggio & Powell, 1983). Institutional isomorphism comprises three levels of mechanics, which affects organizations operating in a certain field, i.e. coercive isomorphism, mimetic isomorphism and normative isomorphism. The first level, coercive isomorphism, is derived from political pressure and stated to be the government's way of contributing to regulation by laws and directives. An example of coercive isomorphism can thus be when the government requires entities to adapt to a certain technology with the expectation to minimize environmental impact (Eriksson-Zetterquist, 2009).

The second level of institutional isomorphism, mimetic isomorphism, relates to why entities by habit imitate other entities during situations of uncertainties (DiMaggio & Powell, 1983). By imitating entities that are perceived to be more successful, e.g. in the use of certain technologies, less successful entities will avoid the time spent for making own solutions and thereby reduce the risk of uncertainties (Eriksson-Zetterquist, 2009). The third and final level of institutional isomorphism, normative isomorphism, relates to pressure derived from professions and educations, where individuals within the same profession are assumed to share norms and cultural behavior (DiMaggio & Powell, 1983). An example of normative isomorphism can thus be when individuals start their career in the parent company of a corporate group to learn methods and approaches specific to the organization, and at a later phase implement the methods in the subsidiary companies of the group (Eriksson-Zetterquist, 2009). By competitive isomorphism and the three levels of institutional isomorphism, which according to D'Aunno, Sutton and Price (1991) can vary in terms of pressure among industries, neoinstitutional theory argue for the motivation of organizational change.

2.3.3 Isopraxism

From the concept of isomorphism, which is referred to as homogeneity in form (DiMaggio & Powell, 1983), two additional concepts related to homogeneity got acknowledged by Erlingsdottir and Lindberg in 2005. The two concepts acknowledged by the authors were isonymism and isopraxism, where the first was referred to homogeneity in name, and the latter as homogeneity in practice. The difference between isomorphism and isopraxism lies in the assumptions made of how ideas and innovation travel (Adams et al., 2016). In differ to isomorphism, which is grounded on the assumption that there is little or no reinvention of ideas or innovations as they travel between adopters, isopraxism assume that ideas or innovations are translated and modified. Specific differences then occur in what is adopted (Adams et al., 2016). The difference between the concepts further lies in whether ideas are decoupled from routines or not. In differ to isomorphism, isopraxism do not decouple ideas from organizational routines. Instead, ideas are translated to action in an organization, thus creating new routines or changing previous (Erlingsdottir, 1999; Erlingsdottir & Lindberg, 2005). From the study of Erlingsdottir (1999) where the concept of isopraxism first got acknowledged, two cases in the healthcare industry were used to demonstrate the differences between isomorphism and isopraxism. In a later study, the study of Erlingsdottir and Lindberg (2005), the two cases were complemented with a third. The first two cases are referred to as the quality assurance case and the accreditation case, while the third are referred to as the chain-of-care project. All of the three cases presented by Erlingsdottir (1999) and Erlingsdottir and Lindberg (2005) are in turn related to the concept of master ideas, which is referred to as vague ideas closely linked to organizational legitimacy. The master ideas are therefore adapted among nations and organizations and difficult to contradict (Czarniawska & Joerges, 1996; Erlingsdottir & Lindberg, 2005).

The intention of the first case, the quality assurance case, was to assure quality in health care by copying well-known practices in the industry. There was however no requirements in the use of models and methods, resulting in difficulties when translating the idea into practice. In result, administrational work was generated for nurses and doctors, instead of integrating the idea into medical practice. As a result, the first case led to isomorphism. Diversity was additionally obtained due to the absence of obligated models and methods (Erlingsdottir, 1999; Erlingsdottir & Lindberg, 2005). In the second case, the case of accreditation, the idea was presented through a European Directive, resulting in the EN 45000 standard. Together with the standard, a precise model that explained how the idea should be translated into practice followed. The accredited laboratories changed themselves and their practices in order to suit the standard, rather than adapting the standard to previous practices. In this case, the idea was translated into real action, changing routines and thus isopraxism (Erlingsdottir, 1999; Erlingsdottir & Lindberg, 2005). The third and final case, the chain-of-care, focused on how quality assurance had been reinterpreted locally, referred to as cooperation. The project focused on the imitation of practices due to organizational connection separated in time and space. In the project, contact is explained as cognitive and emotional connections, where cognitive connections refer to coordination at distance and emotional connections as direct coordination. In the third case, the idea became adjusted to practice. Adjustment did however occur between different practices, which led to spontaneous isopraxism rather than controlled, which was the case in the case of accreditation (Erlingsdottir & Lindberg, 2005). In sum, through the three cases of translation, organizations can become more homogenous by imitating others. The process of imitation as well as the aim of the imitation can however differ, which can lead to different types of isopraxism, which is demonstrated by the third case. An overview of the three cases is presented in table 1.

	Quality assurance	**Accreditation**	**Chain-of-Care**
The idea travels	Among different fields	Within the same field	Among different fields
Name, form, and practice	Are separable	Arrive together	Are separable
Idea creators	Many	An international standardization organ	Many
Imitation through	Adopting the name	Copying	Contact; Invention
Package (form)	Second hand, and not a good fit	Ready-to-wear	Custom-made
The idea travels in the field by	Many different paths, back and forth between the promoter and the user of the idea	One way only - between the promoter and the user of the idea	Mostly from the users to the promoter and to other users
Produces similar or different; names, forms and/or practices	Isomorphism and diversity	Isomorphism, homogenization and controlled isopraxism	Isomorphism, homogenization and spontaneous isopraxism
Translation from form to local practice	Decoupling between forms and local practices; administrative practice decoupled from shop floor practices	The local practice is transformed to fit the form; tight coupling between administrative and shop floor practices	Coordination of different practices: administrative practice becomes a part of the shop floor practices

Table 1. *Erlingsdóttir & Lindberg (2005), p.69*

2.4 Motivation to frame of references

To answer the research questions of the study, three main parts were presented in the frame of references, i.e. the regulation of non-financial information, the adaptation of accounting regulation, and institutional theory. The regulation of non-financial information sets the context for the empirical findings of the study, where the European Directive 2014/95/EU is the idea adapted by the organization through the framework of GRI-G4. The adaptation of accounting regulation further enables a comparison between the empirical findings of the study and previous research in adapting accounting regulation. Institutional theory, which further was divided in three parts, will be used as an overall reference to answer the two research questions of the study. More specific, institutional logics will be used as the main reference to answer the first question; how logics drives managerial choices when adapting the new regulation of sustainability accounting. Given the answer on the first question, the second question; how do the managerial choices of sustainability accounting affect practices in an organization, will be answered with reference to isomorphism and isopraxism.

3. Method

The method presents the organization and the respondents of the study, followed by the collection and analysis of the data generated.

3.1 Research approach

To answer the research questions of the study, to explore the logics that drive managerial choices when adapting the new regulation of sustainability accounting, and whether the choices made affect the practices in an organization, a case study has been made. Case studies are appropriate when explaining the complexity of a specific phenomenon (Yin, 2003) and commonly used when organizational change is investigated (Patel & Davidsson, 2011). The logics that drive managerial choices when adapting the new regulation of sustainability accounting have been studied at an organization operating in the construction industry since the industry is stated to be of specific relevance to challenges of sustainable development (Shen et al., 2007; Ding, 2008; Yilmaz & Bakis, 2015). To answer the research questions of the study, data has been collected through more than one method, i.e. through observations, interviews, and document reviews.

3.2 Selection of industry

Organizations in different industries could have been used to explore the logics that drive managerial choices when adapting the new regulation of sustainability accounting and whether the choices made affect the practices. Certain industries have however been more associated with challenges of sustainable development than others, e.g. the fashion industry (Bigliardi & Bottani, 2012), the food industry (Manfredi & Vignali, 2014) and the construction industry (Bragança, Vieira & Andrade, 2014; Zhong & Wu, 2015). The construction industry is however the largest industrial sector in both Europe and the US, generating approximately 10 % of the gross domestic product and providing nearly 20 million jobs. The industry has however been accused for causing several environmental problems, e.g. environmental pollution (Yilmaz & Bakis, 2015) were the industry is reported to stand for nearly 35 % of the total greenhouse gas emissions in Europe. The industry has additionally been accused for excessive consumption of global scare resources (Ding, 2008) where less than 1 % of existing buildings in Europe have been built through sustainable material and principles. Because of the associations made between the construction industry and challenges of sustainable development, an entity operating in the construction industry has been chosen for this study. The chosen entity is a construction firm listed at First North Stockholm. The entity, which develops and engineers residences, fulfills two of three criteria stated by the European Union, i.e. having a balance sheet that exceeds 175 million SEK and a turnover that exceeds 350 million SEK. The organization will thus be obligated to report non-financial activities for the financial year starting after the 31st of December 2016. The organization is then one of approximately 2000 Swedish entities that will be obligated to follow the new regulation and one of approximately 1700 entities obligated to report non-financial information for the first time (Andersson & Norberg, 2015). The entity will be held anonymous in this study.

3.3 Selection of respondents

The respondents of the study consisted of ten employees working at the selected organization. Two of the respondents, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) compiled a project group of managers that covered the areas and activities of the business, i.e. the managers of relevance to cover the areas of the sustainability report. The project group constituted of the CFO in addition to eight managers; one technical manager, one production manager, one facility manager, one purchasing manager, two construction managers and two managers of human resources. The CEO was not included in the project group, but was involved in the startup phase of the process. The CFO, the technical manager and the purchasing manager were members of the group executive board. The construction managers and the production manager were department managers. The managers of human resources and the facility manager were area mangers. The project group then included managers from three different levels of the organization. The CFO was the employee responsible for the process of adaptation and thereby responsible for the activities of the project group. The CFO divided the managers of the project group into three smaller groups depending on their area of knowledge in the entity. One group constituted of the purchasing manager and the facility manager. A second group constituted of the two construction managers, and a third group constituted of the two managers of human resources and the production manager. The technical manager participated in all of the three groups.

3.4 Data collection and processing

The data has been collected through four visits during a time period of four months, from February to May 2017. The four months of the study were the first four months of the organization's process of adapting the new regulation of sustainability accounting. The process of adapting the regulation will thus continue for the organization after the end of the study. During the data collection process, three methods have been used, i.e. observations, interviews, and document reviews. Observations and interviews are stated to be relevant methods for the collection of data in case studies, since observations and interviews enable an intensive and detailed examination of a specific phenomenon (Bryman & Bell, 2013). The observations and interviews made have been complemented by document reviews, were sources such as annual reports of the studied organization and sustainability reports of competitors have been used to support or contradict opinions and thoughts. More than one method for collecting data has thus been used, since information from several methods strengthens the result of the study (Denzin & Lincoln, 1994; Eriksson & Kovalainen, 2010; Bryman & Bell, 2013).

The figure 1 below presents an overview of the four visits at the organization. The figure presents when the visits and meetings have occurred, whether the meetings were observations or interviews, and the respondents that attended. The introduction meeting made with the CEO and the CFO at the second of February was however a meeting of discussion rather than an interview to gain useful information for the continuous process.

Date	Meeting	Type	Respondents
2nd of February	Startup meeting	Discussion	CEO and CFO
	Introduction meeting	Observation	CEO and the project group
3rd of February	Individual interviews	Interview	The project group excluding the CFO
27th of March	Small project group meetings	Observation	The three smaller groups
	Individual interviews	Interview	The project group
10th of May	Small project group meetings	Observation	The three smaller groups
	Individual interviews	Interview	The project group

Figure 1.

3.4.1 Observations

Observations have been made during the first meeting of introduction with the CEO and the project group, and during the two meetings held with the three smaller groups. The observations were made to identify different logics among the nine managers and to explore potential contradictions among them. Through the observations made, it got observed how the managers worked together and where contradictions appeared in the process. Attitudes, opinions and thoughts then got acknowledged. In addition, the atmosphere and the tone during the meetings got observed, since this is details that cannot be expressed in words (Bryman & Bell, 2013). The smaller group meetings lasted for approximately one hour. All observations made throughout the study have been non-participated (Eriksson & Kovalainen, 2010) and recorded, which reduced the risk of losing information expressed vocally. In addition to recording, notes were taken at each of the observed meetings.

3.4.2 Interviews

Individual interviews have been held with the nine managers of the project group at three occasions. During the interviews, two interview guides have been used. The first interview guide was used for the first occasion, attached in Appendix 1. The second interview guide was used for the second and third occasion, attached in Appendix 2. Appendix 1, and thus occasion one, includes general questions related to initial thoughts and opinions of the new regulation of sustainability accounting. Appendix 2, and thus occasion two and three, includes main questions and sub-questions related to the process of adapting the regulation. The questions asked in occasion two and three then remained the same to capture the process of adaptation. The two interview guides have been used as navigators in each individual interview held, but were not followed exactly. Instead, the flow of the conversation was followed to better capture the main discussion points, i.e. to better interact with the interviewee (Czarniawska, 2014). Every interview was therefore unique, but still involved the main discussion points from the two interview guides. The interviews were held in Swedish and lasted for approximately 30 minutes. The interviews were held at the head quarter of the organization, in a meeting room. In line with the observations, interviews were recorded and notes taken, to reduce the risk of losing details. To become familiar with the collected data, the interviews were additionally transcribed (Dalen, 2015). By transcribing the interviews, the data relevant for the study got highlighted.

3.4.3 Document review

To complement the information generated through the observations and interviews, relevant documents have been reviewed (Bowen, 2009). The documents reviewed in the study were both external and internal, where external documents consisted of sustainability reports and annual reports of competitors in the industry. The internal documents reviewed were the drafts developed by the organization through the process of adaption. The internal documents reviewed were thus the information and content developed for the first draft of the sustainability report. By reviewing drafts that got developed in addition to the external documents used as support, an increased knowledge about the practical field was gained (Czarniawska, 2014).

3.5 Data analysis

To analyze the data generated through observations, interviews, and document reviews, data has been divided among categories of relevance to the theoretical framework. The data collected through the methods were compared after each of the four visits at the organization, thus compared continuously during the process of adaptation to better detect similarities and differences (Czarniawska, 2014). The data collected in the study has been studied in line with four recommendations presented by Czarniawska (2014). The data collected in the study has been analyzed as soon as possible, in line with the first of the four recommendations. By analyzing the empirical data after each of the four visits, the risk of accumulating the data has been reduced. Learning's from the data generated during the first visits have additionally been used in the following visits, to better account for the progress of the adaptation, in line with the second recommendation. The data collected has been documented during the entire process of the study to reduce the risks of losing information of importance to the result, in line with the third recommendation. The theory of the study have been written down from the first idea, even though the theory has changed during the study, in line with the fourth and final recommendation (Czarniawska, 2014).

3.6 Research quality

When evaluating the quality of research in case studies, trustworthiness (Sandelowski, 1993), credibility, conformability and dependability (Yin, 2014) are mentioned to be concepts of relevance. The first concept, trustworthiness, is an overall term that includes the other three. The trustworthiness of the study, and thus the research quality, has then been related to the three concepts. Credibility, which refers to the truth and accuracy of the data, (Yin, 2014) has been taken into consideration by using more than one method in the study. By using both observations, interviews and document reviews, the information generated in the study has throughout the process been compared, which strengthens the truth and the accuracy. In addition to using more than one method, the data sources used in the study have been several, e.g. books, journals and web pages, coming from several fields, e.g. libraries and the internet. The sources used in the study have aimed to be of high quality to further improve the accuracy. Conformability, which refers to the objectivity and neutrality of the study, has been taken into consideration by having non-participating observations and interviews with open questions to reduce the risk of impacting the attitudes of the respondents. Dependability, which refers to whether the study could be repeated by others with consistent findings, has been taken into consideration by including information necessary to the process of the study. The information relevant for to the process, e.g. the collection and analysis of data, has thus been incorporated in the report.

4. Empirical Findings

The empirical findings presents the data generated through the observations, interviews, and document reviews made in the study. The empirical findings have been divided into three sections, each representing a phase in the process of adaptation. The three sections reflect the initial phase of the organizations process of adapting the new regulation.

4.1 Phase 1 - Why and how should we report sustainability?

The first phase in the process of adapting the new regulation of sustainability accounting begun with a startup meeting held between the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). During the startup meeting, the adaptation process of the new regulation was generally discussed, where the frameworks potentially applicable and the project group involved in the process were mentioned. The CEO and the CFO both acknowledged that they had limited knowledge in sustainability accounting and thus in the frameworks potentially applicable. The CEO and CFO had however reviewed sustainability reports of other larger competitors in the construction industry, were GRI-G4 had been found to be the framework used by the majority. Because of the use of GRI-G4 among larger competitors, and thus the easy accessed inspiration, the CEO and the CFO chose GRI-G4 as the framework applicable for the reporting. The CEO and the CFO further emphasized the importance of including employees from several areas of the business to cover the areas of sustainability. To cover those areas, the CEO and the CFO presented a project group of nine managers, including the CFO, which aimed to be involved in the process. In addition to the CFO, the project group consisted of one technical manager, one production manager, one facility manager, one purchasing manager, two construction managers and two managers of human resources. The CFO was presented to be the manager responsible for the process of adaptation, thus being the manager responsible for the coordination of the meetings with the remaining project group and the auditing firm, as well as the manager responsible for the compiling the report in the end of the process.

After the startup meeting held between the CEO and the CFO, an introduction meeting was held with the remaining eight managers of the project group. During this meeting, the CEO presented the new regulation of sustainability accounting that would affect the business in the coming year. Since the managers of the project group lacked knowledge in sustainability accounting, the CEO presented sustainability and sustainability accounting in general, before presenting the new regulation and the expected requirements of the organization. The CEO was observed to have understood that there would be questions of why the organization suddenly would began to account for sustainability, as well as questions regarding each of the managers own contribution. The CEO emphasized that the organization constituted for one of many organizations that would be affected by the new regulation, and thus something that had to be done in the coming year. When presenting the regulation, the CEO was observed to be positive towards the new regulation, stating that sustainability accounting was popular among larger enterprises, including competitors in their industry. By starting to account for sustainability, the CEO highlighted that relations to larger organizations in the industry could be improved since the entity better would match common sustainability principles used by larger entities, hence become a more obvious cooperation partner. The CEO argued for the situation if a larger organization in the industry would choose between two organizations for a cooperation, where the larger organization would choose the organization that had the best principles of sustainability. The CEO further stated that:

“We should not see this as something negative, instead we should see this as a trigger and an opportunity to develop and become stronger as an organization.”

- Chief Executive Officer, 2017-02-02

By starting to account for sustainability, the organizations would thus become stronger and more competitive in the industry. In line with the CEO, the CFO motivated the remaining project group by the potential positive effects of reporting non-financial information in line with the new regulation. The CFO further argued for the importance of each member's contribution in the adaptation process, since the CFO argued to be dependent upon the other member’s cooperation. Even though the CFO was presented to be the manager responsible for the coming adaptation process, the CFO stated that the majority of the information that had to be incorporated lied outside the profession of the CFO. Due to this, the CFO was observed to emphasize that all members of the project group needed to contribute with information in order to be able to present a sustainability report at the end of the year.

4.1.1 Initial attitudes in the project group

To raise questions and thoughts related to the new regulation, the introduction meeting ended with a discussion among the managers of the project group. During the discussion it got confirmed that the managers had limited knowledge in sustainability accounting. It got observed that the majority of the project group thought that the new regulation was complex, where confusion over the coming process and the individual contribution of manager was raised. It was further observed that the project group expressed concern about the extra workload that would be required, thus stating that the time frame was an issue. Despite the confusion, the project group was observed to be positive to the potential possibilities that the new regulation could bring. The attitude to the new regulation of each manager was discussed more in detail in the individual interviews held at this initial phase of the process. During the interviews held, the project group was found to be united regarding the fact that the new regulation would lead to increased workload, taking time from the daily work assignments. The timing of the regulation was additionally found to be negative for each manager. However, even though the opinion was that the new regulation would result in a large and complex process, none of the members saw the task as impossible. All managers agreed upon the fact that the report could serve as a communication tool, but did not see any direct benefits related to the regulation at this phase. The purchasing manager and the facility manager saw the increased workload related to the regulation, but both argued in each of their interviews that they wanted to make the report as good as possible in relation to the time and resources given. In both of their interviews, the two managers however emphasized the importance of not overworking the report, but still making it of value to the entity. The two construction managers also argued for the increased workload of the regulation in relation to the time frame, but questioned the purpose and the value of the regulation. One of the two construction managers argued for the importance of having a low ambition when making the report for the first time, stating that:

"*It is important that we make this report as simple as possible, we cannot overwork this.*"

- Construction Manager 1, 2017-02-03

In contrast to the two construction managers, the technical manager saw the purpose and potential value of the regulation, which the manager related to the upturn and the increased importance of sustainability in the society.

"Sustainability is right in time; it was just a matter of time before we also would start to account for it."

- Technical Manager, 2017-02-03

The technical manager further argued for an interest in sustainability were the majority of the daily work assignments of the manager had a close link to sustainability. It for example got acknowledged that the manager is responsible for the ISO-certifications of the organization, thus working with environmental questions on a daily basis. However, even though the manager understood the purpose and the potential value of the regulation, the workload related to the time frame was stated to be problematic at this phase. In the interview held with the production manager, the opinions were limited, neither being negative or positive. The production manager however expressed an understanding for the contribution of the profession as a production manager, since the manager had information in the social area of sustainability. The production manager mentioned to work close with the employees on the work-floor in the production plant, making the social perspective significant to the profession. In line with the production manager, the two managers of human resources saw their contribution to the social area of sustainability. The two managers of human resources additionally mentioned potential internal improvements related to the regulation, e.g. updating documents and policies such as the policy of equality. The two managers were thus the only managers that during the first phase of adaptation identified potential internal improvements that could be gained by adapting the regulation.

4.2 Phase 2 - Just comply with the regulation, or do something more?

Two months after the new regulation of sustainability accounting had been presented to the project team, small group meetings and individual interviews were held with the managers of the project team. The first interview was held with the purchasing manager, who stated that the new regulation comes with a big risk of creating a paper product of no value.

"*After looking more at other sustainability reports, it feels like this is just a paper product. It feels like crap, unfortunately*."

- Purchasing manager, 2017-03-27

Since the introduction meeting, the purchasing manager had looked closer into sustainability reports of other organizations in the industry, and questioned the value behind long and well-formulated sentences. Rather than presenting "nice words", the manager emphasized the importance of identifying useful key performance indicators (KPIs) that could be useful in the daily business of the organization as well as in the sustainability report. In the interview, the purchasing manager argued for a balance between qualitative and quantitative data to reduce the risk of producing a paper product of no value to the entity. In line with the purchasing manager, the facility manager emphasized the importance of finding relevant measures that could be used in the daily business. The facility manager mentioned an interest for statistics and numbers, arguing that relevant KPIs such as emission and electricity usage that easily could be evaluated from time to time, would contribute to the highest value for the organization. The importance of quantitative data got further confirmed in the smaller meeting observed between the two managers. In line with the individual interviews, the purchasing manager and the facility manager argued for the importance of identifying relevant KPIs that could be valuable both in the daily business and in the sustainability report. Even though the quantitative information was observed to be in focus during the smaller group meeting, it got acknowledged that the managers understood the importance of presenting a report with balance among quantitative and qualitative data.

The two managers of human resources had since the introduction meeting worked close together, sharing information and potential content related to the social area of sustainability. In the interviews, both of the managers argued to have gained a better understanding of sustainability accounting by looking closer into sustainability reports of other competitors in the industry. In both of the interviews held with the managers, sustainability reports of other competitors were brought and shown. The managers showed how the reports brought were used to gain inspiration, mainly by looking at the GRI-index and how the standard disclosures were reflected in words. One example that was shown was a section concerning employees. By looking at other reports, the two managers mentioned that they had gained inspiration and ideas of potential information to incorporate, but argued that the reviewed reports had been superior in terms of unnecessary details. The managers still mentioned to see opportunities in updating documents and policies as a result of the regulation, in line with the first interview, but stated that they have had limited time to look further into it. The two managers were however observed to be confident with the task of finding relevant information related to the social area of sustainability. The confidence in finding relevant information was additionally observed in the smaller group meeting held with the production manager, where the information discussed was mentioned to be linked to the daily work assignments. During this smaller meeting, as well as during the individual interview, the production manager shared thoughts that had been gained when looking closer into the framework of GRI-G4. The three managers were then observed to be sharing thoughts and ideas of potential information in the social area that could be incorporated in the report. The attitude among all three of the managers was observed to be positive.

In the interviews and observations with the two construction managers and the technical manager, it got acknowledged that all three of the managers have had limited time to look further into the regulation. The attitude of having a low ambition and thus perform a simple sustainability report was however observed to remain in the smaller group meeting. During the interview held with the technical manager, it however got acknowledged that by looking quickly at sustainability reports of others, the manager had identified that competitors were superior in communicating what they did and what they stood for. The technical manager argued that a lot of the information that competitors accounted for in their reports are things that the organizations also do, but not communicates. The technical manager then emphasized the value of communicating what the organization do and what the organization stands for, through the report. In line with the two construction managers and the technical manager, the CFO agreed to have had limited time to look further into the new regulation. In the interview held with the CFO it however got acknowledged that a new position, a product manager, would be appointed later in spring. The new position would be responsible for the content of the organization's product. Even though the new position was appointed separately from the regulation, thoughts of making sustainability a central part of the daily assignment of the manager have been raised due to the regulation. The CFO additionally announced that a new production plant was going to be built in the nearly future. Due to the new regulation, the CFO further mentioned that there had been thoughts raised to whether new and more sustainable practices could be used in the plant. The CFO thus argued that sustainability had begun to become more evident in the organization since the regulation first got presented.

4.3 Phase 3 - Translating the regulation to content and choices made on the way

Three months after the new regulation of sustainability accounting had been presented to the project group, additional small group meetings were observed and individual interviews were held. In the interview held with the CFO it got acknowledged that the level of ambition had been reduced since the regulation first got introduced. Rather than develop practices and thus come up with new information to incorporate in the sustainability report, the CFO emphasized the importance of making the first report as simple as possible and to create a good structure that could be used for the coming years. The CFO stated that:

“This will be a paper product for the first year, we have been required to lower our level of ambition.”

- Chief Financial Officer, 2017-05-10

To create a good structure for the first sustainability report of the entity, the CFO had looked further into sustainability reports of competitors in the industry. The CFO had additionally been looking at reports of entities in other industries to gain further ideas. The CFO again highlighted the importance of finding a good structure for the report, which would be used in coming years. Creating a structure through a skeleton was thus mentioned to be the next step in the process for the CFO. Even though the CFO had come to realize that the first report would end up in a paper product, the CFO however emphasized the new mindset that the new regulation had contributed to. Since the regulation first got introduced, sustainability was argued to have become more present in the daily work assignment. The CFO were thus positive to the possibilities that the regulation could contribute to in the future.

4.3.1 Creating value for the organization and its stakeholders

The first small group meeting observed was held between the purchasing manager and the facility manager, which since the last visit stated that they had worked to reduce the risk of producing a paper product. In line with the first small meeting observed between the two managers, the purchasing manager and the facility managers worked in the same direction. It however became evident that the focus had changed since the last visit. In differ to the previous meeting were the two managers were focused on finding relevant KPIs that would be of value to the organization in the daily business, the managers were now focused on finding a way to confirm the environmental practices of the business. The two managers had thus not looked further into any concrete KPIs since the last visit. Instead, by looking closer into sustainability reports of others, the two managers had found that competitors better communicated what they did and what they stood for, e.g. in the environmental area. The purchasing manager emphasized the importance of communicating the values of the organization to the public, stating that:

"*... We stand for this, this is what we do.*"

- Purchasing manager, 2017-05-10

Among others, competitors were e.g. found to strengthen their products through different types of certifications, were BASTA, Svanen, and Sweden Green Building Council (SGBC) were exemplified by the purchasing manager. The purchasing manager argued for the importance to receive such a certificate to become more competitive. By receiving such a certificate, the purchasing manager argued for a strengthened position against competitors in the industry. During the interview held with the purchasing manager, documents and materials of SGBC, a certification system for buildings, urban districts and facility projects, were shown. The manager stated that the organization had applied for a course in spring to learn more about the requirements to receive the certificate. The purchasing manager mentioned that the certificate best matched what the organization did today, but that the organization may need to change some practices to fulfill the requirements. The manager stated that the first year should be used as a year to create a good foundation for the future, e.g. through receiving a certificate, thus gaining value in the long run. The purchasing manager ended the interview by stating that the organization cannot invest time and resources in something that will not generate value or benefits.

4.3.2 Relating the daily work assignments to the new regulation

In the smaller group meeting held between the two managers of human resources and the production manager, the managers were observed to discuss information already existing in the business system of the organization. All three of the managers were however observed to demand a structure to better know which information that should be incorporated in the report. The three managers then requested a skeleton from the CFO before continuing the process. In the interview held with the managers of human resources, it however got stated that in addition to information that already existed in the business system, one of the managers had started to map out salaries as a result of another regulation. Even though the work of mapping out salaries was made due to another regulation, the information generated would become relevant to incorporate in the sustainability report. In the interviews, the two managers emphasized the positive benefits that the report could contribute to in the future in the social area, such as improving policies and documents in line with the previous. The two managers however argued that they at this stage were primarily focused on collecting information that already existed in the business system of the entity. In the interview held with the production manager, it got further confirmed that the focus had been on finding information that existed in the business system, which was evident when the manager showed documents where existing information had been related to GRI-G4 standards, e.g. employments, work environment, natural resources, and quality. The information missing at this stage were acknowledged to be numbers, which were stated to be hard to find in the current system. The production manager further exemplified possible improvements that could be made in the future to better meet the standards of GRI. The manager exemplified a possibility to develop a tool or a system to better categorize sick leave among the employees. With a better system for sick leave, the manager argued that trends easier could be identified and as a result, the sick leave could be reduced. The production manager also mentioned an example to better develop the assessment of future investments of machines, letting sustainability take a bigger part than previous.

In the smaller group meeting held with the two construction managers, the attitude to the new regulation was observed to have changed. Rather than having a negative attitude in line with when the regulation first got introduced, both of the two managers had begun to see potential benefits of the regulation. The two managers were observed to be sharing ideas of how they were working, were similarities and differences were detected. It became evident that the two managers saw possibilities of learning from each other, which would not have happened if the regulation had not been adapted. In the individual interviews held with the two managers, the possibilities of improving policies, in line with the managers of human resources, were detected. One of the construction managers showed documents with policies of the organization, which could be found in the business system, i.e. the environmental policy, the quality policy, employee policy, drugs policy and the offensive treatment of employee’s policy. By working with the new regulation, the manager stated to have understood the importance of having updated policies that could be easily accessed among the employees. The manager argued that the policies presented needed to be updated and better communicated to the employees of the entity. The manager raised the idea of potentially develop a card with the policies for all employees to carry, similar to a driving license, to make sure that the policies were communicated to all employees. The construction manager thus emphasized the importance that all employees, no matter of position, should know what the organization stands for. The construction manager argued for the importance of policies by stating that:

"Our focus with sustainability is that we need to have functioning employees and entrepreneurs, otherwise we do not have a business."

- Construction manager 1, 2017-05-10

In the interviews held with the two construction managers, the thoughts identified in the observations were confirmed. Both of the two managers explained that their focus was on both environmental and social issues, where the primary source of information was the business system. Both of the managers stated to have a focus on finding already existing information in the business system, rather than developing new. The managers however demanded more structure in the continuous process, arguing for a skeleton from the CFO before continuing. The technical manager did not attend the small group meetings due to a busy schedule. In the interview held with the manager, the lack in time in relation to the time necessary to spend was argued to be limited. The technical manager had instead taken an overall approach, in line with the CFO, and emphasized to only contribute with additional information if found necessary. Even though the technical manager have had limited time to focus on the regulation, the manager was observed to have a relaxed attitude towards the coming process, stating that:

"There is a lot of things that gives me a lump in the stomach, but this is not one of them"

- Technical manager, 2017-05-10

Even though it became evident in the interview that the focus was on other tasks at the moment, the technical manager came with thoughts and ideas of how the sustainability work of the entity could be improved. The manager for example raised an idea of potentially introducing a new position in the entity, i.e. a sustainability manager. The manager argued that such a position, where one person worked full-time with questions of sustainability would gain the organization in the long-run. The manager further emphasized that the work of producing a sustainability report in the coming year would become half-hearted, since all managers involved do not have the time to make the report as good as it could be. By having a sustainability manager, the technical manager thus stated that the risk of producing a half-hearted report in the following years would be reduced. The manager however still argued for the value of the report in terms of communication, since many enterprises in the industry offers similar products as the entity, but have been found to better communicate this to the public, thus appearing better.

"It is easy and cheap to appear good in this business…"

- Technical manager, 2017-05-10

Even though the technical manager emphasized that value in the long-run could be achieved by a new position, i.e. a sustainability manager, the manager then argued that the entity through the report better could communicate what they do and what they stand for. In short-term, the technical manager thus argued for a communication value.

5. Analysis

The analysis presents the empirical findings of the study in relation to the frame of references. The analysis has been divided into two sections, where the logics behind managerial choices are discussed in the first section, and the choices effect on practices are discussed in the latter section.

5.1 Logics driving the managerial choices

The aim of this study was to explore which logics that drove managerial choices when adapting the new regulation of sustainability accounting. The study aimed to explore the logics that appeared between the nine managers of the project group, as well as logics that appeared between the three smaller groups of managers. The study further aimed to explore how the choices made affected the practices in the organization.

Organizations in the construction industry have, in a study performed by Upstill-Goddard et al. (2016), been found to adopt sustainability practices because of stakeholder pressure and legitimacy. The findings of the study have been connected to the fact that the construction industry is an industry that often is associated with challenges of sustainable development (Shen et al., 2010). Organizations in the industry have thus been found to experience high pressure to account for sustainability. Even though the organization in this study initially is motivated to account for sustainability because of the new regulation, the CEO emphasized that the regulation could improve external communication and strengthen the position of the organization. The motivation of accounting for sustainability can then, in line with previous studies, be linked to the gaining of legitimacy. The motivation to apply the framework of GRI-G4 could further be linked to the concept of legitimacy. As the CEO and the CFO chose GRI-G4 based on the fact that the majority of the entities in the industry applied the framework and that information thus were easily accessed, it could further be argued that the organization chose the framework based on legitimacy. The selection of the framework could additionally be supported by the second level of isomorphism, i.e. mimetic isomorphism, since the organization can be argued to find support in other organizations (DiMaggio & Powell, 1983). The motivation of choosing GRI-G4 could further be linked to previous studies in adapting new accounting practice where late adopters have been found to minimize their adaptation errors by looking at early (Pope & Mcleay, 2011; Pilcher, 2011; Connolly & Wall, 2012).

In line with the findings of Connolly and Wall (2012) and Schneider, Wallenburg and Fabel (2014), the role of the CFO and the importance of including employees from different levels and areas in an organization have been found to be crucial for the success of the adaptation. The CFO in this study has been found to be the most important employee in the project group, since the CFO has the overall responsibility for the report, both in terms of content and structure. The CFO has however been found to be dependent upon the other managers of the project group, since the CFO lacks knowledge related to the social and environmental areas of sustainability. The relation between the managers of the project group has then additionally been found to be important for the success of the adaptation, which is in line with previous research (Connolly & Wall, 2012; Schneider, Wallenburg & Fabel, 2014). The choices made by the CFO in this study has been driven by the regulation, both by fulfilling the regulation and being able to gain future benefits by making the report as good as possible in the first year. The logic behind the choices made by the CFO can thus be argued to be driven by the higher order logics of the society, where the market and the state can be identified as the major drivers. The logic of the market can be related to the increased attention of sustainable development from a global perspective. The logic of the state can be related to the approval of the new regulation of sustainability accounting (Thornton & Ocasio, 1999; Steyn, 2014; Upstill-Goddard et al., 2016). Being driven by the high-order logics of the society could be linked to the responsibility of the CFO, since the CFO is the manager having an overall responsibility for the adaptation. However, since the CFO mentioned to have a personal interest in sustainability, one could question whether the high-order logics would have been the dominating logics if the CFO would not have been the manager highest responsible. If the personal interest in sustainability would have been the dominating, the choices made in the process could have been different. If the personal interest instead would drive the choices made, the logics could change from high-order level to field-level (Thornton & Ocasio, 1999; Steyn, 2014; Upstill-Goddard et al., 2016).

5.1.1 Logics in the smaller groups

The purchasing manager and the facility manager, which constituted for the first small group, has throughout the process been focused on the potential value that the regulation could contribute to. During the early phase of the process, the two managers highlighted the importance of finding relevant KPIs, e.g. emission and electricity usage, which is related to the field-level logics of personal interest in number and statistics (Järvenpää & Länsiluoto, 2016). During the latter phase of the process, the two managers emphasized the importance of strengthening the “nice words” necessary to incorporate in the report, which was made through certificates, e.g. SGBC. To reduce the risk of producing a paper product of no value, which the managers were mentioned to be scared of throughout the process, the logics behind the choices made by the managers have been grounded on the creation of value, both internally and externally. Since the managers where driven to find relevant KPIs that the organization could work with internally, one could argue for the importance of creating internal value for the organization. The process of receiving a certificate can be referred to as both internal and external value, where the certificate internally would generate value through improved communication. Externally, a certificate could generate value for stakeholders since the result of the certificate could lead to improvements in areas of the business. As the entity would receive a better communication tool, stakeholders of the entity would additionally be benefited since they would receive more transparent information. The logic of creating value can thus be argued to be grounded internally and externally. In contrast to other smaller groups, the managers where not interested to incorporate information that already existed in the business system of the organization. The managers were instead motivated to incorporate information of value, quantitative and qualitative, no matter if incorporating this information would take additional time.

The two managers of human resources and the production manager, which constituted for the second small group, made the choice to look at information that already existed in the business system, as the managers found that all relevant information related to the social area could be found. As mentioned by the managers, relevant information could be linked to their daily work assignments. The choice to primarily look at information in the business system could then be driven by their work assignments, i.e. their profession in the organization. As the dominant logic behind the choices made were related to the daily work task, the choices made by the managers can then be argued to be driven by field-level logics (Thornton & Ocasio, 1999). The managers of human resources are responsible for the policies of the entity in their daily work assignments. The idea of updating the policies could then be withdrawn to the daily work task of the managers, making the logic of profession in the organization further evident. As it was observed in this smaller group, the managers had come the furthest in the process at each visit. Since it additionally was observed that the three managers worked with social questions in their daily work task, the incentive to prioritize the process more than other managers could be related to their interests in social questions due to their profession (Järvenpää & Länsiluoto, 2016).

The two construction managers, which constituted for the third small group, were the managers where the attitude and choices differed the most during the study. Due to lack of knowledge and time, the initial motivation from the managers was restricted which effected the choices in the beginning. As the managers received more information, the attitude and the choices made however changed in the latter part of the process. One could then argue that the initial negative attitude was based on the lack of knowledge, but also based on the fact that the two managers are department managers. As department managers, the two managers have high knowledge in their area. When being faced with a new task, the managers however lacked knowledge, which could explain why the managers were restricted in the beginning as they may have been unsecure with the situation. It then became evident that lacking information was a problem in the beginning of the process, which could come to result in adaptation errors (Connolly & Wall, 2012). In line with the second group, the construction managers found existing information to be useful in the process of adapting the new regulation. Likewise, the managers related the existing information to their daily work task. Again, a driving logic behind the managerial choices made can be withdrawn to field-level logics and the profession in the organization (Thornton & Ocasio, 1999; Järvenpää & Länsiluoto, 2016). In line with the first group, it can be argued that a stakeholder perspective was important for the construction managers. As the managers saw the connection between the sustainability report and improving the relation to the entrepreneurs, choices made were also driven by creating value for stakeholders, in particular for the entrepreneurs.

Even though the technical manager was assigned to be a part of all groups, the manager has not attended the smaller meetings during the study due to lack of time. The technical manager however emphasized the increased sustainability in the society and also the potential benefits that sustainability could generate for organizations. As the manager has not been active in the process but has knowledge in the potential benefits of sustainability, the current logics could therefore be referred to as high-order societal logics rather than field-level logics (Friedland & Alford, 1991; Thornton & Ocasio, 1999). In this phase of the process, the technical manager has not applied the regulation on a field-level. Instead, it could be argued that the manager is primarily driven by the high-order societal logics of the market.

5.1.2 Did the logics contradict?

Even though the study explores the logics that drives managerial choices when adapting the new regulation of sustainability accounting at an initial phase, tendencies to attitudes and behavior that can drive managerial choices in the future have been identified. Previous research emphasize that logics can contradict and be in conflict (Reay & Hinings, 2009; Hoffman, 2011; Kilfoyle & Richardson, 2011; Rautiainen & Järvenpää, 2012; Ertimur & Coskuner-Balli, 2015), e.g. environmental issues and profit maximization (Thornton & Ocasio, 1999; Jones, 2010; Rautiainen & Järvenpää, 2012). Logics in conflict have further been found to result in both delays of organizational change and innovation (Friedland & Alford, 1991; Thornton, Jones & Kury, 2005; Järvenpää & Länsiluoto, 2016). In this study, similarities and differences in terms of logics among the smaller groups have been identified. Overall, the logics related to profession in the entity and value creation for the organization and its stakeholders can be argued to be the most driving logics. At this stage of the process, conflicts and contradictions have not been identified. However, one could argue for future dilemmas where logics can come to contradict in the project group. Comparing the two managers active in the group executive board, the logics as well as the motivation in the process has been observed to differ. The purchasing manager was one of the most motivated managers as the incentive was to create value for the organization and its stakeholders. The technical manager, who has high knowledge in sustainability was on the other hand found to be the least motivated manager in the project group. As the two managers represent the highest level of management, it can be argued that both of the managers can influence the process to a high degree. A dilemma that then could come to occur is that the the logics of the two managers with high influence differs the most, which can come to clash and result in both prevented and increased motivation (Rautiainen & Järvenpää, 2012; Ertimur & Coskuner-Balli, 2015).

In addition to contradictions between two managers, one could additionally see potential dilemmas between the three smaller groups. Group one and group two can be argued to have logics that differs the most, while the third group can be argued to have logics similar to both groups. As the first group has a high ambition with a driving logic of creating value through both new and existing information, the second group has a lower level of ambition since this group is solely focused on incorporating existing information in the report. The differences in terms of ambition level and logics can thus come to develop in to a future dilemma when the project group in total meets to finish the report. Since all three groups have both a social and an environmental focus, a dilemma can come to evolve when all of the small groups meet to finish the report. The three groups will then have to determine the level of ambition and the content of the report, where logics can come to contradict. According to Järvenpää and Länsiluoto (2016), different logics can come to create conflicts and delays in the process. On the other way around, Thornton, Jones and Kury (2005) argue that contradicting logics can result in new thoughts and ideas. Potential dilemmas can then come to affect the adaptation process and the managerial choices made.

5.2 Managerial choices effect on practices

The new regulation of sustainability accounting was initiated with the purpose to increase comparability among European entities (European Union, 2014; EY, 2015), to increase the homogeneity among organizations. In the literature of institutional theory, homogeneity can e.g. be referred to isomorphism and isopraxism. The approval of the new regulation can be related to the first level of isomorphism, coercive isomorphism, as it is derived from political pressure (Eriksson-Zetterquist, 2009). Isomorphism can further be acknowledged early in the process of adaptation when the CEO and the CFO made the choice to apply GRI-G4 as the framework for the reporting. This choice can be related to the second level of isomorphism, mimetic isomorphism, as the reason behind this choice was to easily access inspiration from others in the industry due to the lack of knowledge (DiMaggio & Powell, 1983). Since the entity is one of approximately 1700 Swedish organizations that will report sustainability for the first time, it could be argued that there is a chance that other organizations that has not reported non-financial information in the previous will look at sustainability reports of others as well, resulting in homogeneity in form (Erlingsdottir, 1999).

The purchasing manager and the facility manager, which constituted for the first group, mentioned the importance to use KPIs that would benefit the organization internally. Presenting relevant KPIs in the sustainability report of the entity would however not automatically lead to the development of new practices. If the KPIs in the future would lead to changes in existing practices to better meet the targets of the KPIs, one could instead argue for isopraxism since the idea of the regulation could lead to changes in practices that would not be decoupled from the idea of the regulation (Erlingsdottir, 1999; Erlingsdottir & Lindberg, 2005). In addition to finding relevant KPIs, the two managers actively worked to receive a certificate that would ensure the practices used in the entity related to sustainability. Before receiving the certificate, it was however argued to be likely that some of the practices would have to be changed in order to match the requirements. There is then a chance that the certificate will lead to new practices or change old. This can thus be related to isopraxism, if the practices cannot be decoupled from the idea of the regulation (Erlingsdottir, 1999; Erlingsdottir & Lindberg, 2005).

The two construction managers, which constituted for the second group, were mainly focused on finding existing information to incorporate in the report. In the latter part of the process, the managers were however found to exchange information concerning their processes and daily work tasks, where differences and similarities were argued to have been found between the two approaches. As a result of the regulation, the two managers thus found possible areas that could be improved, which in turn could lead to a change of practices. The exchange between the two construction managers could be linked to the third case in the study of Erlingsdottir and Lindberg (2005), referred to as the chain-of-care. In this case, spontaneous isopraxism occurred since employees in a department shared thoughts and ideas verbally, thus imitating each other through connection. The two construction managers further mentioned the idea of creating something similar to a driving license of the organizations policies to better communicate the policies internally as another result from the regulation. Even though this is a new idea, it could be argued not to change any practices but only make the policies more accessible. Since it cannot be argued to change practices, one could not argue for isopraxism (Erlingsdottir, 1999; Erlingsdottir & Lindberg, 2005; Adams et al., 2016).

The two managers of human resources and the production manager, which constituted for the third and final group, were, in line with the construction managers, mainly focused on finding existing information to incorporate in the report. The two managers of human resources also mentioned the idea of updating the policies of the organization, which were referred to be old. Even though the thoughts of updating policies have been generated from working with the new regulation, an update of policies cannot be argued to change practices. Instead, the new regulation can be seen as a reminder to update the policies. Even though the regulation has triggered thoughts of updating them, the idea can be decoupled from the policies. It could thus be argued for isomorphism rather than isopraxism (Adams et al., 2016). One of the managers of human resources have however started to map out salaries as a result of another regulation. As this new practice is based on another regulation rather than the regulation of sustainability accounting, the new practice cannot be related to isopraxism in this study since the practice most likely would not have been initiated without the other regulation. If the focus was on the other regulation, one could argue for isopraxism, since that new regulation has resulted in a new practice. The new practice can further be linked to the second case presented by Erlingsdottir (1999), where the idea was translated into real action, resulting in controlled isopraxism. The regulation of mapping out salaries is useful in this process and thus worth mentioning in the process of adapting the new regulation. The production manager mentioned to have identified shortages in the system where sick leave was registered. With the new idea of creating a tool that could identify reasons behind sick leave, practices within the entire organization can be of relevance to change depending on the trends and causes that could be identified. If a new tool can result in new practices, it can again be linked to isopraxism since the idea of the regulation cannot be decoupled from the new practice (Erlingsdottir, 1999; Erlingsdottir & Lindberg, 2005; Adams et al., 2016).

The technical manager was critical to the new regulation due to the lack of time and argued that the regulation only would lead to the creation of a paper product since the report mainly would constitute of existing information. To gain value from the new regulation, the manager argued for the need to create a new position that would focus on sustainability questions in full-time. By working with sustainability questions in full-time, the manager could work with sustainability questions in depth and thus find new ways and practices**.** If a new position would lead to changes in practice, one could argue for isopraxism (Erlingsdottir, 1999; Erlingsdottir & Lindberg, 2005). In line with the argument that a new position with focus on sustainability could lead to new practices, the thoughts of incorporating sustainability in the new position of a product manager could lead to the development of new practices. As mentioned by the CFO, the organization has gained a new mindset as a result of the regulation and had incorporated sustainability in the position of the product manager. As the product manager is responsible for the development of the products, now with an additional focus on sustainability, it could be argued that the regulation in the future could change the products and affect the practices of the organization (Erlingsdottir, 1999; Erlingsdottir & Lindberg, 2005). This is also the case with the future production plant, where the CFO mentioned that sustainability would be in focus. Through the new regulation of sustainability accounting, tendencies to the development of new practices have thus been acknowledged in several areas of the organization.

5.3 The impact of the new regulation in practice

To answer the fierce debate of the new regulation of sustainability accounting, this study can acknowledge both the positive and the negative criticism. Alestig (2015) mentions the lack of time and knowledge in organizations as critical, which can result in increased costs among the entities that has not reported financial information in the previous. In this study, a lack in time and knowledge became evident in the initial part of the adaptation. As a result, the process struggled initially. One could thus argue for increased cost. However, in the latter part of the process, knowledge in sustainability was acknowledged to increase among the managers. In line with Larsson (2015), the managers begun to evaluate organizational practices and identified possible improvements, gaining more knowledge in sustainability. By gaining more knowledge in the area, the managers were additionally acknowledged to have received a new mindset where sustainability had become a part of decision making. The new mindset can then be argued to be important in future investments, resulting in a reduction of costs in the future.

Looking at the purpose of the new regulation of sustainability accounting, one could argue that the organization in this study will become more transparent as they will account for more information. As the organization in this study has been found to look at other organizations in the industry, there is a probability of producing a report similar to others. In turn, this could lead to an increased comparability among the organizations in the construction industry, which is in line with the purpose of the new regulation.

6. Conclusion, contribution and proposals for future research

The conclusion presents the main findings of the study. In addition, the contribution of the findings and proposals for future research are presented.

6.1 Conclusion

The study aimed to explore which logics that drive managerial choices in the initial phase of adapting the new regulation of sustainability accounting in an organization and how the choices made affect the practices. In the question of which logics that drive managerial choices when adapting the new regulation of sustainability accounting, different logics have been found to drive the choices. The managers of the first group were driven by the willingness to create and contribute to value for the organization, both internally and externally. Internally, the managers were driven by improved communication value. Externally, the managers were driven by the creation of value to stakeholders. In the second and third group, the managers were driven by logics related to their profession in the organization. In two out of the three groups, the logics that drove the choices made by the managers were thus related to profession, while the creation of internal and external where the logics that drove the choices made by the managers in the remaining group. All three of the groups were however driven by field-level logics.

In the second question, how the managerial choices of sustainability accounting affect the practices in an organization, tendencies to the development of new practices have been found. The study has explored the organization's initial process of adapting the new regulation. The practices found to be affected by the choices made are thus preliminary. In the first group, the choices made by the managers can affect practices through receiving a certificate that relates to the environmental area of sustainability. In the second group, managers have exchanged experiences of their daily work tasks, which can come to affect the manager's practices, thus indicating spontaneous isopraxism. In the third group, the choice made by the managers primarily resulted in thoughts of updating policies and documents, which will not lead to new practices. Due to the regulation and the new knowledge gained in sustainability, the organization has raised thoughts of incorporating questions of sustainability in a new position of a product manager and in a future production plant. Thoughts were also raised concerning the creation of a new position with focus on sustainability questions to gain maximum value. Through the new regulation, the organization has thus been found to adopt sustainability as a new mindset, which indicates that new practices can develop in the future. A new mindset can also relate to the argument stated by Larsson (2015) that organizations will perform better investments by having increased knowledge in sustainability.

6.2 Contribution

This study contributes with knowledge of how logics affect managerial choices when adapting the new regulation of sustainability accounting at an initial phase. This study contributes with knowledge of how the managerial choices made affect the practices in an organization, relating the choices made to the concept of isopraxism. Since research in isopraxism is limited (Adams et al., 2016) this study further contributes with an additional perspective of how isopraxism can become evident in an organization when adapting a new idea. By mapping out initial thoughts and decisions when adapting the new regulation of sustainability accounting, this study additionally contributes by looking at how the new regulation gets accepted by an entity that has not reported sustainability in the previous. This study contributes with implications of how a Swedish organization adapts the new regulation, which can be used in research of how other European organizations have adapted the same regulation. This study can then be used to compare similarities and differences between member states of the European Union. Finally, this study give answer to the criticism raised in media of the potential positive and negative effects in practice.

6.3 Proposals for future research

As this study explores an initial phase of adapting the new regulation of sustainability accounting, it would be of interest to explore how the logics and the managerial choices made are reflected in the final report, as well as which practices that has been changed or created. Since this study only generates initial implications of the regulation, it would be of further interest to explore the effect of the new regulation once organizations publish their reports. As the regulation aims to harmonize European entities, it would be of further interest to explore the potential differences of the effects among organizations in Europe. Finally, a comparison between Swedish entities would be of interest to explore potential similarities and differences.

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Appendix 1

Appendix one presents the interview guide addressed to the nine managers of the project group during the first interview. In practice, the order and formulation of the questions varied. The interviews were conducted in Swedish and have thus been translated to English.

1. What is your role in the organization, and what is included in your daily work assignments?
2. What were your first thoughts when the new regulation of sustainability reporting got presented?
3. Do you have experience of sustainability, or sustainability reporting?
4. Can you see any initial advantages or disadvantages with sustainability reporting?
5. Can you relate sustainability reporting to your daily work assignments?
6. What will be your focus in the adaptation process?
7. Do you have any thoughts of potential information that could be accounted for in the sustainability report?

Appendix 2

Appendix two presents the interview guide addressed to the nine managers of the project group during the second and third interview. In practice, the order and formulation of the questions varied. The interviews were conducted in Swedish and have thus been translated to English.

1. How has the adaptation process developed since our last visit?
2. What are your thoughts of sustainability reporting after receiving more information?
    a. Have your thoughts changed in comparison to when the new regulation first got presented?
3. What are your incentives when working with the sustainability report?
4. What sources have you used when collecting information for sustainability reporting?
5. Have the sustainability reports presented earlier in the process been useful?
    a. In what way have the reports been useful, or not been useful?
    b. Do you find the reports useful in the continuous process?
    c. Is it important for you to look at reports of competitors to gain knowledge in which information that the industry is accounting for?
6. From looking at potential information that could be accounted for in the report, have thoughts concerning changes of your daily work assignments been raised?
7. How has the continuous work in the project group been since our last visit?
    a. Do you agree upon which information that should be accounted for, and how the information should be presented?
    b. Do you share the same incentives and thoughts when working with the sustainability report?
8. What is your next step in the process?