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Sustainable Lending

A case study of Swedbank's lending operations

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Abstract

The pressures on organizations to act more sustainable are increasing, and companies have started to implement corporate social responsibility (CSR) into their operations. Until recently, the banking sector was relatively isolated from social and environmental pressures. However, the term sustainable lending has during the recent years become a more general concept in the financial industry. Due to banks' indirect impact on investments, the banking industry has an important influencing power. Since sustainable lending is relatively new operations in organizations, it is important to understand how the practice will be adopted throughout a multinational company (MNC). In a MNC, this could be studied through institutional and relational differences towards the parent organization. Therefore, the purpose of this study is to create an understanding of how an international bank is affected by institutional and relational differences, with focus on CSR and lending practices. In order to investigate this, a qualitative multiple case study with one of Sweden's international banks has been conducted. The study contributes to the following findings: Limited differences could be found regarding identification, dependence, and regulations. However, the trust in the headquarter (HQ) were found to be higher among the Baltic subsidiaries than the Swedish subsidiaries. Furthermore, normative and cognitive aspects, such as knowledge, personal interests and the employee's perception of sustainability may affect the sustainability analysis process. These aspects may also affect the quality of the client evaluation, particularly concerning social- and environmental risks.

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List of Abbreviations

AML	Anti-money laundering
CSR	Corporate Social Responsibility
HQ	Headquarter
KYC	Know Your Customer
MNC	Multinational corporation
OCED	The Organization for Economic Co-operation and Development
SME	Small and medium-sized enterprises

1. Introduction

This chapter aims to present an introductory background to the research area, followed by a problem discussion. Based on the problem discussion, the purpose of the thesis is presented and the research question formulated. Lastly, the chapter aims to present delimitations of the thesis.

1.1 Background

Sustainability is a topic of growing importance in today's society and pressure on organizations to act responsibly are gradually increasing (Borglund, De Geer, Sweet, Frostenson, Lerpold, Nordbrand, Sjöström & Windell, 2012). However, sustainability is still a relatively new concept, and it was as late as 1987 that a common definition of sustainable development was introduced by the United Nations (United Nations, 1987). In the Brundtland Report, following definition could be found: *Sustainable development is a development that meets the needs of the present without compromising the ability of future generations to meet their own needs* (United Nations, 1987, p.41). This definition is commonly known among organizations and actively used to describe sustainability (Borglund et al., 2012). In short, this definition means that our planet has limited resources, and the aim is to find an ideal equilibrium where the use of resources and acceptable living conditions could meet human needs without jeopardizing the environment and ecosystems for future generations (United Nations, 1987).

Sustainable development aims to connect three different dimensions, which are social, ecological and economic sustainability (United Nations, 1987; Borglund et al., 2012). Social sustainability aims to build a stable and dynamic society, which meets basic human needs in a long-term perspective (United Nations, 1987). Furthermore, ecological sustainability aims to, in a long-term perspective cope with material and human resources (United Nations, 1987). Finally, economic sustainability aims to create economic growth, without negative impact on the environment or the society (United Nations, 1987). These three pillars represent the foundation of the concept CSR (Borglund et al., 2012). Due to these three pillars, sustainability can be seen from different points of view (Borglund et al., 2012). It is therefore likely that organizations prioritize sustainability-related problems differently (Borglund et al., 2012). Different priorities when it comes to sustainability are particularly common in MNCs, where institutional differences affect how subsidiaries in different locations perceive

sustainability issues (Bondey & Starkey, 2014). In order to develop a common standard and approach towards sustainability problems, MNCs need to consider their subsidiaries institutional profiles (Bondey & Starkey, 2014). Common institutional differences within the MNC's subsidiaries are divided into three main areas (Kostova & Roth, 2002). These are regulative, cognitive and normative aspects, which to a large extent are influenced by the local environment (Kostova & Roth, 2002). Another important aspect to consider is the relational context, which links the subsidiary to the parent organization through identification, dependence and trust (Kostova & Roth, 2002).

Banks, as well as other sectors, are increasingly spread outside its national borders as a result of the globalization (Bockstette, Pfitzer, Smith, Bhavaraju, Priestley & Bhatt, n.d.). Banks are global actors that have an indirect impact on investments that are being made, and therefore have a high impact and power of the society (Bockstette et al., n.d). Banks' impact on the society was clearly visualized in the global financial crisis in 2008, which was a response to unsecure lending operations (Graafland & van de Ven, 2011; Pérezts & Picard, 2015). The financial crisis led to significant criticism to the finance industry and in what way banks handle morally and ethically dubious operations (Graafland & van de Ven, 2011; Pérezts & Picard, 2015). Furthermore, the lack of transparency, regulation and risk management within the financial industry could provoke economic instability and in turn cause devastating social consequences (Graafland & van de Ven, 2011; Barclift, 2012). In order to increase the reputation and credibility in the banking industry, CSR has increasingly become more common during the recent years (Crane, Matten, Spence, 2014; Cornett, Erhemjamts, Tehranian, 2014).

In the banking sector, the main emphasis regarding responsibility can be found in areas such as investments, lending, and asset management operations (Lentner, Szegedi & Tatay, 2015). Money laundering is also a particularly important issue and a key element of anti-corruption efforts and a crucial part of the bank's CSR activities (Lentner, Szegedi & Tatay, 2015). Even though the banking sector has a relatively small direct impact on the environment, their indirect impact on social and environmental issues may increase if they support unsustainable activities (Lentner, Szegedi & Tatay, 2015). This could be activities such as the production of unsafe products, lending money to organizations which pollute the environment, or violate human rights (Lentner, Szegedi & Tatay, 2015). Accordingly, the banks need to critically evaluate their clients and their activities in order to reach a sustainable lending method.

Sustainable lending has not been clearly defined in the theoretical literature (Calderon & Choy Chong, 2014). However, a possible definition could be: *the decision by banks to lend only to corporate borrowers who take into account the environmental and social impacts of their operations* (Calderon & Choy Chong, 2014, p. 194)

Due to increased awareness of the term sustainable lending, banks began in the mid-1990s to consider their clients' environmental risks as one of their lending criteria (Calderon & Choy Chong, 2014). Even if the banks do not have a direct environmental impact, they can indirectly contribute to a negative impact on the environment by providing funds to businesses with high environmental risks (Calderon & Choy Chong, 2014). This does not only pose a threat to the environment, but also to the bank since the client's repayment capacity can be affected (Calderon & Choy Chong, 2014). Accordingly, banks have started to estimate their borrowers' societal and environmental impact as one of the bank's lending criteria (Calderon & Choy Chong, 2014).

1.2 Problem Discussion

CSR activities have gradually increased in importance within the academic literature of MNCs (Rodriguez et al., 2006; Calderon & Choy Chong, 2014). Furthermore, environmental problems have become more visible in our daily lives, which in turn has increased the pressure on organizations to act more sustainable (Borglund et al., 2012). Traditionally, the financial market has favored short-term profits, instead of long-term and environmental-friendly investments (Juravle & Lewis, 2009). This is partly due to the fact that when companies value their risks, environmental risks have normally received a low valuation because of their diffuse character and long-term effects (Juravle & Lewis, 2009). Today, there is a growing demand among customers for more sustainable alternatives, and more actions need to be taken in the banking sector (Graafland & van de Ven, 2011). However, the field of CSR in this sector is still young and is in need of further research (Rodriguez et al., 2006).

DiMaggio and Powell (1983) arguing it is important to understand an organization's institutional profile and relational context in order to know how to adapt new practices or activities. To be aware of institutional profiles and relational context are particularly important in MNCs, due to the establishment of subsidiaries in different countries (Rathert, 2016). Kostova & Roth (2002) also state the subsidiary's institutional profile and relational context affect the level of compliance towards the parent organization. Consequently, it is of

great importance for the MNC to work with and adapt the business operations to different institutional profiles and relational contexts, in order to achieve common sustainability practices. However, Rathert (2016) state that institutional and relational theory has been ignored in sustainability activities. Therefore, a gap can be seen in the research regarding how institutional and relational differences are taken into consideration regarding the view of sustainability issues (Rathert, 2016).

When exposing credit to organizations, banks demand requirements on businesses, since the bank want to minimize their risk as much as possible (Lentner, Szegedi & Tatay, 2015). If the client's sustainability risk not is considered, the bank will consequently be exposed to a risk higher than necessary (Graafland & van de Ven, 2011). If the bank does not take the organization's environmental risk into account, the bank's risk of getting bad publicity is increasing (Lundgren, 1999). The client's repayment ability could also be affected by environmental risks and consequently affect the bank's credit risk (Lundgren, 1999). Therefore, using a variety of information is crucial for the bank in order to avoid such a situation (Lundgren, 1999). Today, there are no laws and regulations, which claim that banks should take sustainability or environmental perspective into account when exposing credit to companies. However, even though it is not mandatory, FSA (Finansinspektionen), have seen that several Swedish banks are taking own initiatives regarding sustainability and following international principles (Finansinspektionen, 2015).

Based on the discussion above, sustainability is a relatively new concept, particularly in the financial sector. The interest for sustainability and CSR are increasing in the society and requirements for organizations are gradually increasing. Therefore, there is a need for further research if institutional profiles and relational contexts affect the view and management of sustainability practices in an international bank.

1.3 Research Question and Purpose

The purpose of this study is to create an understanding of how an International Bank is affected by institutional and relational differences, with focus on CSR and lending practices. In order to fulfill this purpose, the following research question has been formulated to lead this report.

"How do Institutional and Relational differences affect an International Bank's view and management of CSR in relation to lending practices?"

1.4 Delimitations

During the research process, one delimitation was made. The focus of this report is company specific and only investigates one of the Swedish banks and its home markets. The countries concerned in this report are Sweden, Estonia, Latvia, and Lithuania.

2. Theory

The following chapter aims to present the theoretical framework and outline the conceptual framework for this report. This section further aims to create an understanding of the academic field of institutional and relational theory and CSR. The chapter starts to present the theory of CSR and sustainable lending, followed by the theory of institutional profiles and relational contexts.

2.1 Introduction of the term Corporate Social Responsibility

CSR is a concept increasingly referred to in the academic literature (Farooq, 2014; Bauman & Skitka, 2012), and is steadily gaining more attention in the society (Borglund et al., 2012). Due to a strong increase in consumer awareness and media coverage, MNCs are more pressured to take responsibility to support a sustainable environment (Kolk, 2016; McWilliams & Siegel, 2001), and act as responsible corporate citizens (Bénabou & Tirole, 2010). Due to MNCs global impact on social and environmental issues, corporations are pressured to take actions in the development of a sustainable society (Kolk & van Tulder, 2010). According to Idowu, Capaldi, Zu and Gupta (2013), MNCs have started to acknowledge CSR activities as something more than just a cost. CSR activities are rather recognized as a reduction of risk in terms of negative media attention, customer dissatisfaction and governmental intervention, which if not avoided could create costs for the organization (Idowu et al., 2013). As a response, MNCs have started to implement CSR activities to meet expectations and changes in demand from the society (Idowu et al., 2013).

2.1.1 Defining CSR

Although CSR today is a relatively well-researched area, the academic field has not clearly defined what is included in the social, environmental and economic aspects (Bauman & Skitka, 2012; Wood, 2010). Due to the ambiguous, vague and fluid definition of CSR, a wide array of definitions has arisen (Bauman & Skitka, 2012; Wood, 2010). In turn, this has resulted in shifting views of CSR among corporations (Saeidi et al., 2014). Furthermore, the large amount of definitions has created difficulties for empirical research (Saeidi et al., 2014; Wood, 2010). Therefore, the following theory highlights the main aspects derived from prior research, formulated with the intention to establish a suitable and applicable definition of CSR for this report.

In the CSR literature, especially one definition seems to recur: that CSR is the level of responsibility an organization takes for its impact on the society (Bauman & Skitka, 2012; Wood, 2010). Several authors claim that CSR emphasizes the responsibility of managing the relationship between an organization and its stakeholders (Saeidi et al., 2014; Bauman & Skitka, 2012). Some authors argue that CSR is what organizations do for society that goes beyond legal requirements and economic interests (Matten & Crane, 2005). Similar to this view, McWilliams and Siegel (2001) further define CSR as actions that go beyond the interests of the firm and legal requirements, and during the same time contribute to the society. Drawing on the aspect of law, Tuan (2013) argues that ethical CSR gradually will consolidate into legal CSR. Hence, acting within the law could be regarded as operating ethically and aligned with the CSR concept (Carrigan & Attalla, 2001).

2.1.2 Types of CSR

Normally, there exist two types of CSR for organizations, CSR as an organizational reform or charity (Jutterström & Norberg, 2013). CSR as charity is correlated with activities such as large corporations who donate money to different support organizations (Jutterström & Norberg, 2013). These activities have little if anything to do with the business itself (Jutterström & Norberg, 2013). The other type of CSR, CSR as an organizational reform attempts to adapt the organization's own operations to be more accountable with regard to human rights, working conditions and the environment (Jutterström & Norberg, 2013). This interpretation can be related to Coombs & Holladay (2012) definition of strategic CSR. According to Coombs & Holladay (2012), strategic CSR is created when CSR is incorporated in the company's plans, goals, and values. Consequently, strategic CSR is a part of the corporation's overall strategy and is carefully planned and evaluated in order to benefit both the corporation and the society (Coombs & Holladay, 2012). Strategic CSR needs to contribute to the corporation's profit since corporations must gain profit in order to stay in business (Coombs & Holladay, 2012). Hence, strategic CSR contributes to the corporation's success, and do not just drain resources in order to benefit the society (Coombs & Holladay, 2012).

2.1.3 Responsibility in the banking sector

In the banking sector, there are normally four different levels of responsibility, which are economic, legal, ethical and discretionary (philanthropic) responsibility (Lentner, Szegedi & Tatay, 2015). Economic responsibility is to increase the owners' welfare and to ensure

profitability and growth (Lentner, Szegedi & Tatay, 2015). The aim of legal responsibility is to minimize risks and to ensure confidence and safety in the financial system (Lentner, Szegedi & Tatay, 2015). Furthermore, ethical responsibility is correlated to the basic ethical principles of honesty and sincerity (Lentner, Szegedi & Tatay, 2015). Other principles are fair conduct, integrity, respect, and transparency (Lentner, Szegedi & Tatay, 2015). Finally, discretionary responsibility is a voluntary activity but is today a common practice in the financial sector (Lentner, Szegedi & Tatay, 2015). Discretionary responsibility could, for example, be a workplace free from discrimination and fair competition (Lentner, Szegedi & Tatay, 2015). Furthermore, responsibility may not only concern the bank's direct social and environmental impacts but also the indirect impacts of lending activities (Lentner, Szegedi & Tatay, 2015).

Financing investments and solutions to global challenges are one important area for creating both financial and social and environmental value in the banking sector (Bockstette et al., n.d.). Capital is an important ingredient for all industries, and significant investments are needed in order to provide new technologies and large-scale solutions to global challenges (Bockstette et al., n.d.). Although capital historically has been the domain of philanthropic and public funds, financial institutions are becoming more engaged by a growing demand from clients and large market opportunities regarding sustainable investments (Bockstette et al., n.d.). Banks are normally engaging in these activities in two ways, through work with client segments, and by placing, structuring and investing in new solutions (Bockstette et al., n.d.). Several banks have proactively grown their business with clients that deliver environmental and social benefits, and have a potential for long-term growth (Bockstette et al., n.d.). The focus has shifted beyond individual transactions, to instead growing the whole sector (Bockstette et al., n.d.). These banks' intention is to grow impact-investing opportunities in new areas (Bockstette et al., n.d.). For example, this could be a green bond investment, with the aim to fund energy efficiency and renewable energy projects for corporate clients (Bockstette et al., n.d.).

2.2 Sustainable Lending

Jeucken and Bouma (1999) introduced the concept of sustainable lending and developed a four-level model regarding banks' sustainability actions. In the first level, banks lack interest in becoming sustainable and are doing as little as possible (Jeucken & Bouma, 1999). In the second level, banks start to implement sustainable internal measures, for example, credit risk

assessment and environmental due diligence (Jeucken & Bouma, 1999). The third level is characterized by both internal and external measures to promote sustainability (Jeucken & Bouma, 1999). Banks in the fourth and final level are avoiding cooperation with firms which activities may have a detrimental effect on the environment (Jeucken & Bouma, 1999).

Aintablian, McGraw, and Roberts (2007) were the first to document the connection between environmental risk of a client and bank monitoring. The authors found that when a bank is approving a loan to a client, this is signaling the client's social and environmental risk may not be seen as particularly high. Therefore, banks have the possibility to influence corporations to implement sustainable practices, which promotes the society and the environment (Aintablian, McGraw & Roberts, 2007).

2.2.1 Risks through exposure to clients

Banks are exposed to different types of risks, including credit risk, operational risk, market risk, but also environmental risk. However, the environmental risk is difficult to define, since there is no standardized definition of what is included in the concept (Thompson, 1998). According to Thompson (1998), environmental risk can be divided into three parts, which are a direct, indirect and reputational risk. All three are thought to be of great importance for banks in the lending decision (Thompson, 1998).

The direct risk is described as the exposure of risk that steams from the lending client, which harm or pollute the environment, as it becomes a cost for the bank (Thompson & Cowton, 2004). The indirect risk is the sustainability risk of potential value or profit loss for the bank, due to actions from the lending client (Thompson, 1998). These losses of profits could be caused by fines imposed on the lending client for not complying with potential environmental regulations, such as pollution and disposal of hazardous waste (Thompson, 1998). The reputational risk banks normally face is the losses of profits related to the losses of customers. If the bank's lending client is publicly known as harming the environment, the bank might lose customers, since the bank is being associated with irresponsible organization (Thompson, 1998).

2.2.2 Hidden sustainability risks regarding exposure to small and medium-sized enterprises

When large organizations apply for a loan, there are normally much heavier requirements and regulations placed on the organization from the sustainability point of view. However, for

small and medium-sized enterprises (SMEs), the decision process and sustainability requirements are not as strict (Equator Principles, 2013). This poses a problem, considering the fact that 99 percent of all businesses in the European Union are SMEs (European Commission, 2012). SMEs play a critical role in many countries economic growth and are acknowledged as a large contributor to pollution (Spence, Gherib & Biwole, 2008). According to the European Commission (2012), nearly 64 percent of the total industry pollution was caused by SMEs in 2012. This is supported by Rao et al. (2006) who claim that SMEs stands for as much as 40 to 70 percent of the environmental pollution. OECD (The Organization for Economic Co-operation and Development) has estimated that SMEs stands for 80 percent of the pollution in economies with major growth due to SMEs. Literature regarding environmental issues have to a large extent focused on large corporation as the main issue since they are much more public than SMEs (Aragon-Correa et al., 2008; Buban-Litic, 2008). Consequently, SMEs have to a large extent been ignored and their major impact has been neglected (Aragon-Correa et al., 2008; Buban-Litic, 2008).

2.2.3 The need to integrate sustainability throughout the loan's lifespan

Several banks that work with sustainability, only integrate an environmental analysis during the client's due diligence but not during the monitoring phase (Weber, Fenchel & Scholz, 2008). Furthermore, banks do not often have a complete understanding of environmental risks impact on the bank's loan portfolio (Weber, Fenchel & Scholz, 2008). However, this understanding is increasing, as well as banks potential to affect their clients and guide them towards a more sustainable future (Calderon & Choy Chong, 2014). Furthermore, banks are increasingly starting to measure their client's impact on the society (Calderon & Choy Chong, 2014). Nevertheless, much work is needed since it is still common that banks do not measure the sustainability performance throughout the loan's lifespan (Calderon & Choy Chong, 2014).

2.3 Know your Customer

The financial sector is experiencing an increase in regulations and pressure to have a strong compliance network with adequate oversight of each territory (Arasa & Ottichilo, 2015). Financial institutions also need to ensure requirements and regulations for Anti-money laundering (AML) are followed both locally and globally (Arasa & Ottichilo, 2015; PWC, 2013). An important factor for financial institutions, in order to gather relevant information, is to know their customers, which refers to the "Know Your Customer" (KYC) framework

(Arasa & Ottichilo, 2015). Arasa and Ottichilo (2015) state *KYC is the due diligence that financial institutions must perform to identify their customers and establish applicable information relevant to doing financial business with them* (p. 162). Financial institutions compliance function is growing of importance in order to protect corporations' reputation and value. KYC is an ongoing activity and as discussed by Hopton (2009), lasts from "cradle to the grave". In other words, financial institutions need to nurture the customer relation throughout the relationship and constantly be up to date with relevant knowledge (Arasa & Ottichilo, 2015). KYC is also described by Lilley (2003) as banks first defense line against criminals since all potential clients need to go through the KYC framework before becoming a client to the bank. The client is constantly monitored and the rules and regulations in the industries are also constantly updated (Arasa & Ottichilo, 2015). Muller et al. (2007) argue that the constant reviews aim to promote a favorable environment to ensure a healthy financial system that corresponds with the best global banking practices.

2.4 Model for Practice Adoption in an organization

The level of adoption and compliance with new practices issued by the parent organization may differ between the organization's subsidiaries (Kostova & Roth, 2002). In order to understand how the subsidiaries are adapting to new practices, Kostova and Roth (2002) argue the institutional context and the relation between the subsidiary and the parent organization must be understood.

2.4.1 Introduction to Institutional Theory

A company's institutional profile is important to be aware of in order to understand how an organizational practice will be adopted in an organization (DiMaggio & Powell, 1983). Companies that share the same environment will likely act in a similar way and therefore become more isomorphic with each other (DiMaggio & Powell, 1983). This is due to the institutional pressure companies are experiencing in the environment where they operate, i.e. local restrictions and boundaries which determine what is socially acceptable (Kostova & Roth, 2002). Institutional pressures that organizations are experiencing are often due to legitimacy reasons (DiMaggio & Powell, 1983). Several elements of the institutional environment are country-specific since legal systems and culture normally is nation specific (Rosenweig & Singh, 1991). Therefore, cross-nation dissimilarities in the organization's institutional structure require managerial practices that are adapted to the specific country (Gooderham, Nordhaug, & Ringdal, 1999). Several researchers are supporting the impact of

institutional differences (Campbell & Lindberg, 1990; Cole, 1989; Hall, 1986; Jepperson & Meyer, 1991). For example, a study made by Orru, Biggart, and Hamilton (1991) shows that organizations located in South Korea, Japan, and Taiwan are operating differently due to the country's institutional profile. Hence, the organization needs a dissimilar inter-organizational and organizational structure to adapt to the institutional principles in the country (Orru et al., 1991).

Institutional theory is visualizing the difficulties an international corporation is encountering when they operate in the global market (Westney, 1993). The companies need to balance their organizations between global integration and local adaption (Rosenweig & Singh, 1991; Westney, 1993). It is necessary for an MNC to be legitimate in all markets where they operate (Kostova & Roth, 2002), in order to gain trust and be able to establish themselves in the local market (Kostova & Roth, 2002). Therefore, the MNC need to adapt to the local society's institutional context and increase the level of isomorphism (Kostova & Roth, 2002), i.e. become more similar to other organizations that operate in the same environment (DiMaggio & Powell, 1983). However, in order to create competitive advantages for the MNC, capabilities need to be utilized on a global basis (Ghoshal & Bartlett, 1988; Grant, 1996; Kogut, 1991; Nohria & Ghoshal, 1997).

2.4.2 Introduction of the concept Organizational Practice

Scholars within institutional theory (Kostova & Roth, 2002; Kogut & Zander, 1992; Kostova, 1999; Szulanski, 1996) define organizational practice as following: *an organization's routine use of knowledge for conducting a particular function that has evolved over time under the influence of the organization's history, people, interests, and actions* (Kostova & Roth, 2002, p. 216). The organizational practice is reflecting the organization's shared knowledge and is therefore often accepted by the organization's members (Kostova & Roth, 2002). As the institutional perspective implies, organizational practices may be influenced by the nation's institutional context and have a specific social meaning which is reflecting the nation's social context and beliefs (Kostova & Roth, 2002; Meyer & Rowan, 1977). When an organization's practices are becoming more institutionalized with the nation, the organization's actions are considered more legitimate by the society (Kostova & Roth, 2002). Hence, organizations may adopt some practices due to this legitimate reason and not with regard to efficiency of the practice (Kostova & Roth, 2002).

2.4.3 Institutional Profiles and Practice Adoption

In order to examine a unit's institutional environment, an institutional profile can be used (Kostova & Roth, 2002), which consist of three pillars, namely a country's regulatory, normative and cognitive institutions (Kostova & Roth, 2002). The regulative component is regarding a national environment's specific laws and regulations, and how these are promoting and restricting behavior (Kostova & Roth, 2002; Kostova, 1999). The cognitive component regards the given country's cognitive categories and shared social knowledge (Markus & Zajonc, 1985; Kostova & Roth, 2002). The cognitive component is influencing how people in the given country are categorizing a phenomenon and how it is interpreted (Kostova & Roth, 2002). The normative component reflects individuals' norms, values, and assumptions regarding the human behavior in the national environment (Kostova & Roth, 2002).

Furthermore, an organization may in turn, based on these three pillars, adopt practices through three different types of procedures (Kostova & Roth, 2002; DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 1987). These are normative-, mimetic- and coercive isomorphism (ibid). Normative isomorphism occurs when the organization is adopting patterns, which are considered fitting the environment where the organization operates (Kostova & Roth, 2002). Mimetic isomorphism occurs instead due to uncertainty; the organization tries to minimize its risk by mimicking a successful organization (Kostova & Roth, 2002). Thirdly, when an organizational practice is enforced to the organization by an authority with more power, the practice adoption occurs through coercive isomorphism (Kostova & Roth, 2002). Through these three adoption practices, the organization obtains legitimacy in the environment where they operate and enhances the chance of survival and success (Kostova & Roth, 2002; DiMaggio & Powell, 1983). Therefore, the level of adaptation to the parent company is dependent on if the pillars of the institutional environment are creating normative, mimetic or coercive adoption patterns (Kostova & Roth, 2002).

The host country's institutional profile may affect how a foreign subsidiary adopt to a practice (Kostova & Roth, 2002). Firstly, the subsidiary may experience direct institutional pressure from the local institutional environment to adopt certain practices, independent from practices and initiatives taken by the parent organization (Kostova & Roth, 2002). Therefore, the subsidiary may adopt local practices in the host country in order to become more isomorphic

with other organizations in the host country (Kostova & Roth, 2002). However, in contrast to national organizations in the host country, a foreign subsidiary is necessarily not expected to become isomorphic with the local organizations, particularly if the MNC is fairly powerful (Kostova & Roth, 2002). If the parent organization is powerful, the subsidiary needs to depend less on the host country and therefore not needs to become as isomorphic with local organizations (Kostova & Roth, 2002; Meyer & Zucker, 1988; Zucker, 1987). This implies the local institutional pressure on an MNC to some degree may be constrained (Kostova & Roth, 2002).

Another way the subsidiary's practice adoption may be affected by the host environment is through the subsidiary's employees (Kostova & Roth, 2002). It has been suggested that it is the employees that bring the local institutional elements to the organization (Scott, 1995; Westney, 1993; Zucker, 1977). An employee's attitude towards a new practice is influenced by their beliefs and cognitions, which have been formed by the nations external institutional environment (Kostova & Roth, 2002; Scott, 1995; Westney, 1993; Zucker, 1977). Therefore, although the subsidiary to some extent may be disconnected from the host environment, the subsidiary will still be influenced by the local institutional context through the employees (Kostova & Roth, 2002). The subsidiary's employees understanding, interpretation, and motivation to adopt a new practice are thus affected by the institutional context (Kostova & Roth, 2002). It is also more likely that the employees will be motivated and judge the practice positively if the institutional profile favors the new practice (Kostova & Roth, 2002). Kostova and Roth (2002) state a favorable institutional environment contributes positively to the adoption of new practices by supporting regulations, rules, and laws. Furthermore, a favorable institutional environment facilitates for the employees to interpret and understand practices by a favorable cognitive structure (Kostova & Roth, 2002).

Since the institutional context differs between locations, it is likely that subsidiaries interpret, adapt and respond to practices differently (Kostova & Roth, 2002). Naturally, subsidiaries with a favorable environment will have better conditions to comprehend the value of the practice since it will be in accordance with the local context (Kostova & Roth, 2002). A favorable cognitive profile also increases the employees understanding of the value the practice adds, and thus also has positive attitudes towards implementation and internalization of the practice (Kostova & Roth, 2002). Furthermore, the likelihood of internalization

increases with a favorable normative profile, i.e. the practice is in accordance with the employee's beliefs, values, and norms (Kostova & Roth, 2002).

2.4.4 Response to new organizational practices

With regard to institutional differences in an organization, the subsidiaries will respond differently to how they adapt to a practice mandated by the parent organization (Kostova & Roth, 2002). How a subsidiary adapts to an organizational practice is proposed to be due to attitudinal and behavioral components (Kostova & Roth, 2002). The level of internalization can be divided into three stages, where the first stage is pre-institutionalization, the second is semi-institutionalization, and the third stage is full-institutionalization of the practice (Zucker, 1996). Pre-institutionalization commonly has few adopters and the knowledge about the practice is limited (Zucker, 1996). In the semi-institutionalization stage, the practice has gained some normative acceptance but the practice is still seen as new to the company and is not a stable component (Abrahamson & Fairchild, 1999). In the third stage, full institutionalization, the practice has gained acceptance and is now taken for granted by the employees (Zucker, 1996; Tolbert & Zucker, 1996). The practice is seen as a necessary and effective component of the company (Tolbert & Zucker, 1996).

In general, a foreign subsidiary is not an independent unit, and if the parent company is mandating a new practice, the subsidiary needs to comply (Kostova & Roth, 2002). However, with regard to the subsidiary's institutional profile, the level of compliance may vary between different subsidiaries (Kostova & Roth, 2002). A company's different subsidiaries have individual evolutionary paths, which affect the role of the subsidiary (Birkinshaw & Hood, 1998). Furthermore, through the evolution, the subsidiary develops different attitudes towards practice adoption (Birkinshaw & Hood, 1998). There are different kinds of pressures within an organization to which all the units must conform to, but the subsidiary is not only experiencing the pressures from the parent company (Kostova & Roth, 2002). The subsidiary is resident in a foreign host country with its own institutional practices, which may clash with the organization's institutional patterns (Kostova & Roth, 2002). Therefore, the subsidiary experiences two kinds of institutional pressures, to become more isomorphic with the host environment and with the MNC in order to gain legitimacy (Kostova & Roth, 2002). This phenomenon is referred to by Kostova & Roth (2002) as institutional duality.

2.4.5 Different dimensions of Practice Adoption

Kostova and Roth (2002) argue that practice adoption can be conceptualized in two dimensions, which are implementation and internalization. Implementation reflects the practice implied and actions required, as well as the objective and external behaviors (Kostova & Roth, 2002). Internalization is instead dependent on how valuable the practice is seen by the employees and how committed the employees are to the practice (Kostova & Roth, 2002). Furthermore, Tolbert and Zucker (1996) state a positive perception about the value of the practice is important to facilitate the initial adoption and improves the practice stability and persistence over time. Therefore, internalization and implementation visualize the depth and level of the practice (Kostova & Roth, 2002).

2.5 Relational Context

It is not only the pressure from the subsidiary's external institutional environment that determines the level of compliance with practices (Kostova & Roth, 2002). The subsidiaries are also exposed to pressure within the MNC to adjust to different organization-based practices and structures (Kostova & Roth, 2002). In order to understand the institutional duality in MNCs, an important aspect is to recognize that practices, which the MNC attempts to communicate to its subsidiaries, are influenced by the MNC's institutional context (Kostova & Roth, 2002). Therefore, institutional factors in the MNC's home market may influence the subsidiaries (Kostova & Roth, 2002). However, the parent organization's institutional influence on the subsidiary is indirect since the home country's institutional profile is filtered and channeled through the organization (Kostova & Roth, 2002). Therefore, the MNCs relational context to its subsidiary is an important factor, which affects how subsidiaries perceive and interpret pressure from the home country context (Kostova & Roth, 2002). The relational context between a subsidiary and the parent organization can be defined by three characteristics, which are identification, dependence and trust (Kostova & Roth, 2002; Nahapiet & Ghoshal, 1998; Rosenweig & Singh, 1991; Tsai & Ghoshal, 1999)

2.5.1 Identification with the parent organization

The level of identification between a subsidiary and the parent organization is defined as *the degree to which subsidiary employees experience a state of attachment to the parent* (Kostova and Roth, 2002, p. 220). If subsidiaries identify themselves with the organization, they perceive themselves as a part of the MNC and recognize that their identity has evolved through their membership in the organization (Kostova & Roth, 2002).

Furthermore, approval and belief in the organization's goals and values result in identification with the organization (Kagan, 1958; O'Reilly & Chatman, 1986). Thus, diffusion of organizational practices is facilitated if the subsidiary identifies itself with the parent organization (Strang & Meyer, 1993). Additionally, subsidiaries that view themselves as similar to the parent organization will more likely share values and beliefs, which are embedded in the transferred practices (Kostova & Roth, 2002). Consequently, the possibility of successful implementation may increase (Kostova & Roth, 2002). Therefore, the success of practice implementation is largely dependent on the employees understanding of the practice and the value added (Kostova & Roth, 2002). Furthermore, effects of the syndrome "not-invented-here" may also decrease if the subsidiary identifies itself with the parent organization (Hayes & Clark, 1985; Katz & Allen, 1982). It is also likely that a subsidiary, which identifies itself with the parent organization, wish to become more isomorphic with the HQ (Kostova & Roth, 2002). The subsidiaries employees' may, therefore, more likely adapt practices in a mimetic and normative way (Kostova & Roth, 2002).

2.5.2 Dependence to the parent organization

The dependence between a subsidiary and the headquarter (HQ) is defined by Kostova and Roth, (2002) as *the belief held by subsidiary managers that the subsidiary relies on, and is contingent on, the support of the parent organization for providing major resources, including technology, capital, and expertise. Implied in the notion of dependence is subordination and control* (p. 218). The dependence between a subsidiary and the parent organization, therefore, symbolize their hierarchical and nonsymmetrical relationship (Kostova & Roth, 2002). Furthermore, as mentioned earlier, the organization's level of compliance to institutional pressure is affected by the organization's relative power and dependence on the legitimating actor (Meyer & Zucker, 1988; Rosenzweig & Singh, 1991; Zucker, 1987). If the organization is dependent on the institutional environment, the organization will become isomorphic with the local actors (Oliver, 1991). However, if the level of dependence is low, the organization will instead disregard the institutional environment (Oliver, 1991). Kostova and Roth (2002) argue the same assumption of compliance can be made regarding subsidiaries and their parent organization. Nevertheless, there exists a tension between the HQ and the subsidiary with regard to the autonomy of the subsidiary versus HQ control (Doz & Prahalad, 1984; Rosenzweig & Singh, 1991). This tension may create a resistance within the subsidiary to adopt practices from the HQ and may

lead to a coercive adoption of the practices, especially if the subsidiary is dependent on the parent organization (Westney, 1993).

2.5.3 Trust in the parent organization

According to Bromiley & Cummings (1995), a foreign subsidiary's trust in its parent organization could be explained by three different categories. The level of trust in the parent organization is based on: (1) good-faith efforts to behave in accordance with both explicit and implicit commitments, (2) honestly in discussions proceeded such commitments, and lastly, (3) not taking advantage of the subsidiary, even if the opportunity is available (Bromiley & Cummings, 1995). According to earlier research, a higher level of trust expressed in the parent organization will positively influence transfer of practice (Szulanski, 1996). Trust may furthermore reduce the costs of negotiation, communication and exchange associated with the sender and recipient unit (Zaheer, McEvily & Perrone, 1998; Bromiley & Cummings, 1995).

When a practice is transferred from a parent firm to a foreign subsidiary, the level of ambiguity and uncertainty with regard to its actual value for the subsidiary is increased (Kostova & Roth, 2002). However, based on institutional theory, the level of trust in the parent organization may have a positive effect on the subsidiary's adoption (Kostova & Roth, 2002). In other words, a subsidiary's trust in the parent may, in turn, shape the perception of a positive and efficient practice, that likely will result in a mimetic conformity, rather than coercive (Tsai & Ghoshal, 1998). Consequently, this may lead to both implementation and internalization (Kostova & Roth, 2002). Hence, the implementation and internalization of an organizational practice at a recipient unit will be positively correlated to the level of trust in the parent organization (Kostova & Roth, 2002).

2.6 Conceptual Framework

Figure 1 visualizes the structure of the theoretical framework and how it corresponds to the empirical findings. The theoretical framework is based on three pillars, which are institutional differences, relational context and sustainability knowledge and interest. These three pillars are individual for each employee, based on factors such as personal values, opinions, education and knowledge. Additionally, the employees' dependence, trust and identification with the HQ are factors that could affect the subsidiaries lending practices. Furthermore, these individual factors can be affected by, and affect internal practices and directives implemented by the HQ. These internal factors are lending practices and sustainability directives. The

external and individual factors, in combination with the HQ's internal lending practices and sustainability directives, may, in turn, affect the subsidiaries' lending practices.

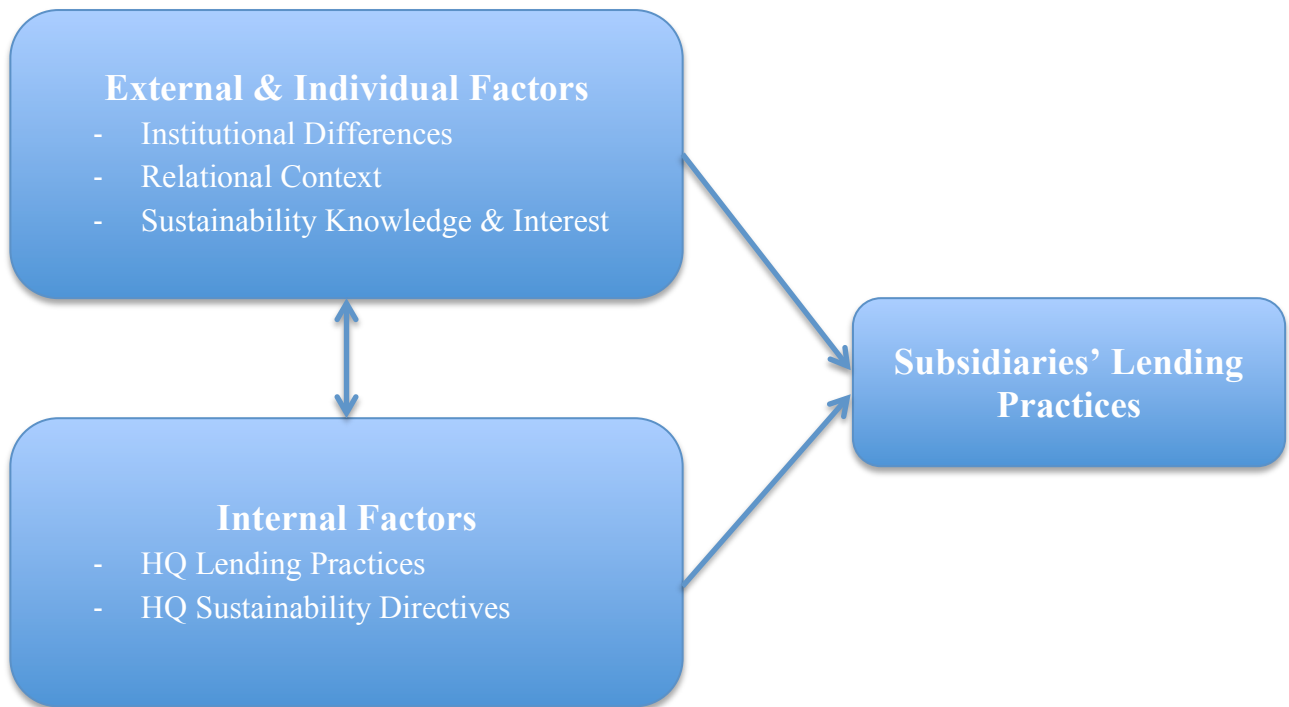


Figure 1: Conceptual Framework. (Compiled by authors).

3. Methodology

This chapter discusses the methodology used in this report when collecting the empirical data. The chapter starts with the research approach, followed by the research design and research process. The chapter ends with a discussion about the quality of the study and ethical considerations.

3.1 Research Approach

In this report, a qualitative method was used since it allows the company and its subsidiaries to be thoroughly investigated. This is in line with Bryman and Bell (2013), who argues a qualitative method is particularly preferable when the researcher wants to obtain a deeper understanding of the social context and behavior in a specific environment (Bryman & Bell, 2013). Furthermore, Jacobsen (2002) argues a qualitative method is suitable for giving a nuanced description of the subject since the method allows the respondent to indicate what is important or not. Since this report focuses on institutional differences, this further verifying our choice of method. A qualitative method allows the subsidiaries to give a more detailed description of the procedure of the sustainability analysis. Additionally, since the aim is to conduct a deeper understanding of the bank's sustainability analysis, several interviews are seen as the most preferable alternative.

In order to conduct the qualitative research, an abductive research approach regarding the relationship between theory and the empirical findings was followed. This method was favorable since CSR and sustainable lending is a complex area with insufficient academic literature, especially in relation to institutional and relational differences. The abductive research method has allowed the research process to be more flexible and allows the researcher to move between theory and empirical findings in order to create a deeper understanding of the studied research area (Dubois & Gadde, 2002; Alvesson & Sköldberg, 2008). This flexible method has also made it possible to avoid unnecessary deviation.

3.2 Multiple case study

In order to gain further depth into the research, a case study was used to provide explanatory power and a rich empirical description (Dubois & Gadde, 2002). A case study gives the opportunity to closer collaboration and more spontaneous exchange of information (Yin, 2014). Additionally, a case study describes different alternatives of causation, provides

sufficient data for analytical generalization, find relationships, as well as test existing theories and contributes with new ones (Fletcher & Plakoyiannaki, 2011).

A case study is normally preferred when the researcher aims to obtain richness and depth in the investigation and when the subject studied is complex (Aharoni, 2011). By doing a case study, a more detailed and unbiased study can be obtained that describes how management actually is performed (Aharoni, 2011). In this research, a multiple case study was conducted. This method was preferable since the interviews were held with several different subsidiaries, and to be able to compare and contrast the subsidiaries view and procedure of the sustainability analysis (Bryman & Bell, 2013). Furthermore, this method is preferable in order to identify institutional differences since it enables identification of unique and common features among the subsidiaries. Accordingly, this approach has been used in order to create a more detailed understanding of how an international company is managing its CSR responsibilities in their internal network.

A critical aspect by conducting a case study of only one organization is the risk of biased information, as well as for not taking relevant precautions into consideration (Siggelkow, 2007). However, Siggelkow (2007) further argues that one of the main reasons for using a case study is the possibility for the researcher to make conceptual contributions by illustrations. Since this study intends to explain how institutional differences affect the management of CSR in lending practices, the case study's potential to support in-depth and diverse discoveries of complex topics was a crucial method in order to fulfill the purpose of this report (Crowe et al., 2011). Furthermore, since the purpose of this report focuses on a general problem, the case study will be of interest not only to the case company but also to a larger amount of readers.

3.2.1 Choosing the case study

According to Merriam (1998), a case should be chosen with the possibility to generate new knowledge and insights, as well as answer the research question. Since the research question and purpose of this report have a focus on an international context, the researchers decided to investigate subsidiaries of an MNC. Swedbank's sustainability department was contacted through an organization with focus on sustainability. The researchers decided to focus on the sustainability analysis regarding Swedbank's lending activities. Furthermore, the purpose of this study is to create an understanding of how an international bank is affected by institutional and relational differences, with focus on CSR and lending practices. Swedbank's

HQ and subsidiaries has throughout the process willingly provided us with necessary information. According to Lewis-Beck, Bryman and Futing Liao (2004), this process could be considered as purposive sampling.

3.3 Research Process

The research process was conducted by several different phases, including creating an understanding of the case company, collecting the data, as well as creating an understanding of the theoretical framework and the empirical material (See Figure 2). For phase one and two in Figure 2, a holistic overview of the company and the subsidiaries was developed, as well as an understanding of the theoretical concept, relevant to the research. One initial visit to the HQ started the research process, and an underlying perception of Swedbank's CSR and lending activities was gathered. A preliminary research question was formulated during phase two and has continuously been updated during the research process, based on what was considered the most interesting from the empirical material.

Following, phase three began with the identification of suitable respondents. The Head of Group Sustainability from the HQ, and the Swedish and Baltic subsidiaries' Head of Credit department, jointly recommended respondents from the different home markets. The majority of the empirical data was conducted from the interviews with the personnel within the lending departments. Interviews were also held with the Head of Group Sustainability at the HQ. Empirical secondary data was gathered from Swedbank's website. In phase 4, additional theory regarding KYC and sustainable lending was added in order to supplement existing theoretical framework. The empirical findings were later on processed and combined together with the theoretical framework in order to present and analyze the main findings (phase 5 in Figure 2). In the last phase of the research process, a final conclusion was formed, as well as contributions of this report and suggestions for future research.

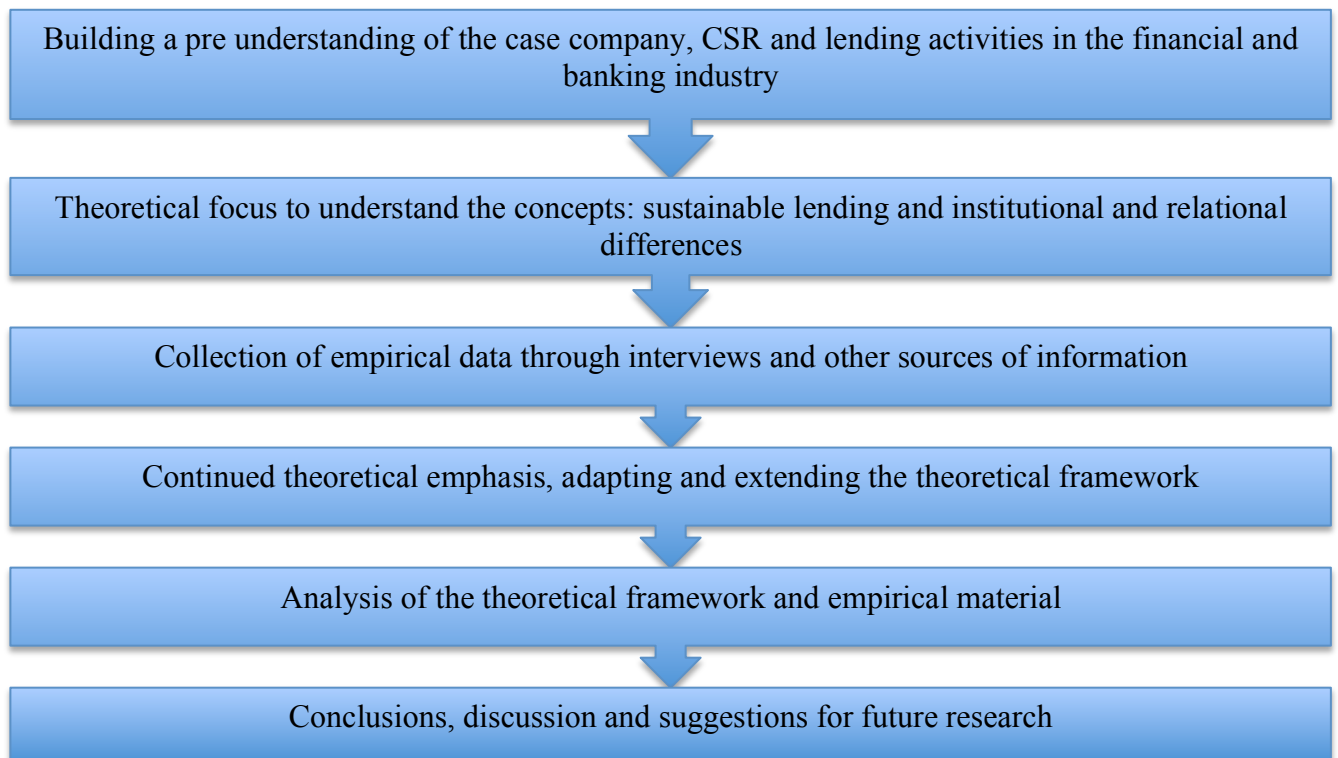


Figure 2: Research Process. (Compiled by authors).

3.4 Data Collection

The primary data section below refers to the gathered empirical data, through interviews of the report. The section does also provide a description of the method used in order to collect the data, as well as a description of the different locations from where the data was gathered. Following, a description of the secondary data collection method will be provided, as well as a description of why it was collected.

3.4.1 Primary data

The empirical data has mainly been collected by primary sources, and have been gathered through 10 interviews with 9 different respondents from Swedbank. The interviews were conducted with a semi-structured interview method and an interview guide was used, which can be seen in Appendix 1 and 2. The data was collected between the mid-February and mid-April. The last interview was held 13 of April 2018. The data was collected by both face-to-face interviews and telephone interviews. Four interviews were held with Swedish respondents, whereof three was conducted face-to-face. The interviews with the international

respondents were conducted by telephone. Swedbank has a policy that states that meetings/interviews preferable should be conducted without unnecessary travels. Environmental-friendly methods, such as telephone conferences should be used instead. Since the report investigates Swedbank's sustainability activities, it was considered most credible to meet Swedbank's, and hereby the respondent's guidelines and policies regarding meetings.

The collaboration with Swedbank's sustainability department started with email contact, and thereafter an introductory meeting and a first interview with the Head of Group Sustainability. After the initial meeting and interview, the contact continued by email and telephone with the Head of Group Sustainability. During these meetings, it was decided that the Head of Group Sustainability and the different subsidiaries' Head of Credit would assist in selecting suitable respondents to the study. Therefore, in line with Bryman and Bell (2013), the respondents were chosen with snowball sampling.

3.4.1.1 Respondents

Two types of qualities were considered when the respondents were chosen, precision and accuracy. Blumberg, Cooper, and Schindler (2008) state that the quality of the interviews relies on how precise and accurately it represents the characteristics of the population. Precision describes how precise the group of informants describes the population, and accuracy is achieved if a lack of bias can be considered among the informants (Blumberg, et al., 2008). Precision was handled by interviewing those respondents directly involved in the sustainability analyze process. The respondents were involved in different levels of the sustainability analysis, from development and establishing, to implementation and usage of the analysis. This range of respondents has resulted in a deep understanding of the perception and function of the sustainability analysis. In order to conduct a comprehensive study, as little biased as possible, the respondents were chosen from all of Swedbank's home markets. The respondents were also chosen from different positions and units, such as managers and head of different units. A short description of the respondents, including name, position and business responsibilities can be seen in Table 1.

Table 1: The Respondents.

	<i>Respondent</i>	<i>Position</i>	<i>Business Responsibilities</i>	<i>Interview form</i>	<i>Date</i>	<i>Time</i>
HQ	Fredrik Nilzén	Head of Group Sustainability	Working with, and developing policies, position statements and sector guidelines for sustainable lending	Face-To-Face	2018-02-22	90 min
	Fredrik Nilzén	Head of Group Sustainability	Working with, and developing policies, position statements and sector guidelines for sustainable lending	Telephone interview	2018-04-13	30 min
Sweden	Niclas Frostelind	Head of Credit Analyst in western region of Sweden	Responsible for credits in the Västra Götaland region. Ensure that structures and procedures comply with the bank's regulations and policies, as well as conducting sampling checks	Face-To-Face	2018-03-28	50 min
	Matilda Lindahl	Head of Corporate Clients in Helsingborg and Höganäs	Leading my team, business advisory, supporting the advisors, customer visits and make credit decisions	Face-To-Face	2018-03-28	60 min
Estonia	Hannes Kuusk	Manager for SMEs	Monitoring different risks, such as credit risks. Overview of all contracts, managing new clients and look at new incoming applications	Telephone interview	2018-04-09	40 min
	Birgit Martin	Client executive in industrial company department	Responsibilities connected to the client portfolio. Meeting the needs for the clients, and during the same time making Swedbank satisfied and comfortable	Telephone interview	2018-04-11	35 min
Latvia	Nils Polis	Head of Unit in mid- Corporate Departments, in funding, trading international companies	Front line of client cases. Managing a unit of client executives, who have direct contact with our clients.	Telephone interview	2018-04-11	40 min
	Edijs Kupcs	Head of Industrial Company unit, for large corporations	Teamleader, serve the customer with the team, personal interactions with customers, decision maker in the credit committee	Telephone interview	2018-04-11	45 min
Lithuania	Gediminas Adomatis	Head of Corporate Clients in western region of Lithuania	Meetings with corporate clients, participating in the credit committee as a supporting person for presentation of financial projects	Telephone interview	2018-04-06	30 min
	Tomas Petrauskas	Head of International Unit	Overseeing the team to make sure that they working according to standards and goals, dealing with clients and responding to client requests	Telephone interview	2018-04-06	30 min

3.4.1.2 Interviews

Ten interviews were conducted between 22th of February and 13th of April. The interviews include respondents from all Swedbank's home markets, e.g. Sweden, Estonia, Latvia and Lithuania, and Swedbank's HQ. The interviews were held either face-to-face or by telephone. The face-to-face interviews were conducted with the Swedish respondents at their respective

offices, and the first interview with the Head of Group Sustainability at the HQ. The interviews with the Baltic respondents were conducted via telephone, as well the second interview with the Head of Group Sustainability. The interviews lasted between 30 and 90 minutes and were conducted in Swedish or English. An interview-guide based on the research question was used during the interviews. The interview-guide can be seen in Appendix 1 and 2. An academic and professional language was mixed with Swedbank's internal definitions in order to avoid misunderstandings.

During the interviews, a semi-structured method was conducted with open questions. This method enabled a conversational and unrestricted communication with the respondents. According to Bryman and Bell (2013), a semi-structured interview method is preferred when it is favorable to allow the informants to respond freely. This interview method allows follow-up questions, which facilitates a creation of deeper understanding (Bryman & Bell, 2013). This method was appropriate since it allowed the researchers to investigate how sustainable lending was managed and how this is related to institutional differences. All interviews were recorded, with the purpose to prevent loss of information. Furthermore, in order to facilitate follow-up questions and to have backup material in case of technical problems, notes were taken by one of the interviewers during each interview. However, the risk of misinterpretation, due to distance or translation faults, was always considered.

3.4.2 Secondary data

In addition to primary data, secondary data was gathered. The secondary data was gathered from scientific articles collected from databases provided by the University of Gothenburg's library, Swedbank's official website, and from Swedbank's sustainability department. Databases primarily used in the literature research are Business Source Premier, Greenleaf Online Library, Retriever Business, EBSCO, GreenFILE and Google Scholar. Secondary sources were carefully selected in order to make the report reliable since Jacobsen (2002) emphasizes the importance of credible secondary sources. Literature with the criterion Peer Reviewed was primarily selected, which means the literature has been published and consequently has been reviewed. The application of prior research to the study was thus carefully performed in order to strengthen the reliability of the research. The secondary data has mainly been used in the theoretical framework and as background information about Swedbank, and their view and operations within sustainability. The secondary data in the empirical findings was usable in order to extend, complement and to verify the information

gathered during the interviews. Furthermore, various sources were used in the theoretical framework in order to ensure the overall quality of the thesis (Collis & Hussey, 2014).

3.5 Method for Analysis of Empirical Material

In order to simplify and give a clearer overview of the transcribed material, Jacobsen (2002) argues the content should be categorized. The collected data was therefore divided into three main categories, i.e. institutional, relational and sustainability differences. Similarities and differences in the empirical material could thereof be easily highlighted. Due to the abductive research method, the theoretical framework has been constantly developed during the research process. However, during the analysis process, a deductive thematic coding has been used in order to provide an enhanced understanding of the theoretical framework and the empirical data (Bryman & Bell, 2013). The theory and the empirical findings have been studied and analyzed simultaneously in order to identify interesting aspects to discuss. The analysis aims to create an overview of the existing similarities and differences between the four home markets, rather than analyzing each respondent individually. Within the qualitative research, Jacobsen (2002) argues there are two analysis models, the individual-based and the situation-based. However, Jacobsen (2002) emphasizes these models as complementary rather than competing. The author further argues the analysis will have a favorable structure if the analysis starts with an individual-based model and gradually shift to a situation-based model. Individual examples from our respondents were therefore addressed in order to visualize similarities and differences between the respondents to, later on, analyze interesting findings of Swedbank's home markets. In order to clearly visualize the main findings, an analysis model was created to present each home market, as well as one compilation of our main findings (Table 2).

Table 2: Model for combined points of analysis.

		The Swedish subsidiaries	The Baltic subsidiaries	Combined points
Relational Aspects	Identification			
	Dependence			
	Trust			
Institutional Aspects	Normative			
	Cognitive			
	Regulative			

3.6 Quality of the study

According to Bryman and Bell (2013), a qualitative research method is often hindered by a subjective and complex nature. Therefore, Guba and Lincoln (1994) argue that a qualitative research should be measured by four criteria: credibility, transferability, dependability, and conformability. These criteria will be discussed further below.

3.6.1 Credibility

The credibility of a study is referred to as the study's internal validity, i.e. the level of credibility that is given to the conclusion in the report (Collis & Hussey, 2009). It is important to study all processes in the research in order to assess the internal validity (Jacobsen, 2002). Furthermore, it is important to make sure the report's topic was thoroughly investigated or tested, and that the study's findings correspond to reality (Collis & Hussey, 2009). This is consistent with the research process of this report, due to extensive consideration of various research techniques, in order to find the most suitable method for our research question. Furthermore, the internal validity of the study depends to a large extent on the credibility of the sources (Jacobsen, 2002). It is therefore of great importance to find respondents with the necessary knowledge of the subject (Jacobsen, 2002). The information is considered more accurate if the respondent has a close relation to the area of research (Jacobsen, 2002). The credibility of this report was moreover established by having a wide range of sources and various interviewees. Efforts to identify appropriate respondents with necessary knowledge was prioritized. According to Bryman and Bell (2013), findings and perspectives of the empirical data need to be in line with the view and provided information by the respondents.

In order to guarantee the credibility and truthfulness of the research, the transcript of the empirical findings was sent to all respondents. The respondents consequently had the opportunity to review and correct misunderstandings or misinterpretations made by the researchers. By sending the transcript to all respondents, the trustworthiness of the study was strengthened, which is in line with Bryman and Bell (2013).

3.6.2 Transferability

An important aspect of a study is the transferability, referring to if the study's findings can be generalized or applied in other contexts than the study (Guba & Lincoln, 1994). However, it can be difficult within qualitative studies to generalize a sample of the population to the entire population, because the concept stems from quantitative studies (Jacobsen, 2002). Therefore, an alternative to examining the generalization of the study is to deepen the understanding of concepts and phenomenon (Jacobsen, 2002). The transferability of the study is established by a meticulous investigation of how institutional and relational differences affect the view and management of sustainability. This study deepens the understanding of how an MNC's sustainable lending activities are affected by institutional and relational differences. Furthermore, by thoroughly describe the method used in the study, as well as the investigated company and the theoretical framework, analytical generalizability is favored and future research is enabled.

3.6.3 Dependability

The study's dependability refers to which degree the research can be replicated (Bryman & Bell, 2013; Lincoln & Guba, 1985), and arrive with the same findings (Yin, 2014). In order to facilitate for other researchers to replicate the study, it is important for the researcher to present detailed field notes, transcriptions, recordings and other collected information (Bryman & Bell, 2013). Therefore, in order to ensure the study's dependability, all interviews was recorded and transcribed. Furthermore, a detailed description of the research process was provided.

3.6.4 Confirmability

The confirmability of the study indicates the researcher's objectivity in the study (Guba & Lincoln, 1994), and if the findings was influenced by potential biases (Bryman & Bell, 2013). According to Guba (1981), by triangulating the empirical data with primary and secondary sources, as well as using several respondents, potential biases may be reduced. The

researchers did not have any relation with the Swedbank before the case started. However, the researchers had some prior knowledge about Swedbank and assumptions about potential institutional and relational differences between Sweden and the Baltic countries. In accordance with Guba (1981), to ensure the study's confirmability, several respondents were interviewed. However, there were only two respondents per country and the interviews with the Baltic respondents were done via telephone. These aspects may decrease the confirmability of the study. To counteract this bias, the primary empirical data was triangulated by secondary sources, such as Swedbank's website, in order to verify the information.

3.7 Limitations

In this study, there are two main limitations that may affect the quality of the thesis. First, the empirical data in this report was gathered through two different methods, through face-to-face interviews, and through telephone interviews. These two different methods may have contributed to skewness in the data since we visited the Swedish respondents, but not the Baltic respondents. Second, since the respondents were selected by the HQ and aware of that the report should be available for the HQ, this might have affected the respondents to answer in line with the HQ's preferences. However, in order to prevent leading questions, open questions were used during the interviews.

3.8 Ethical considerations

Ethical considerations are of great importance when a qualitative research is conducted (Yin, 2014). This is important to bear in mind during the whole research process (Yin, 2014). When a qualitative study is being made, the researcher interferes with the interview person's personal sphere and it is important that the respondents do not receive any pressure or reward for doing the interview, i.e. all respondents have participated out of free will (Jacobsen, 2002; Bryman & Bell, 2013). This is an important aspect in order to minimize the risk of bias (Bryman & Bell, 2013; Eriksson & Kovalainen, 2008; Collis & Hussey, 2009). Moreover, Eriksson and Kovalainen (2008), and Collis and Hussey (2009) argue that offering anonymity to the respondents is important in order to increase the respondent's confidence and to answer honestly, which enhances the validity of the report. However, the respondents had no problem to publicize their names, and according to Jacobsen (2002), there is no need for the respondents to be anonymous as long as the respondents have been given the opportunity to choose anonymity. Relevant information about the thesis and the respondents' role in it were

also provided, in accordance with Blumberg, Cooper, and Schindler (2011) and Collis and Hussey (2009). This is supported by Yin (2014), who argues that respondents increase their interest to share their perspectives and to cooperate when receiving such information. The respondents were furthermore ensured that the information provided only would be used for this research. Another ethical consideration discussed by Yin (2014) is the importance of objectivity. During the research process, we have made sure to include all relevant data in the study and avoided personal assumption to affect the data.

4. Empirical Findings

This chapter presents the empirical findings in this report and starts with an introduction about Swedbank. The chapter continues with the procedure for sustainable lending, institutional aspects, as well as relational aspects, regarding the view and implementation of sustainability. Lastly, difficulties with the sustainability analysis are presented.

4.1 About Swedbank

Swedbank has deep roots within the Swedish banking history and has a strong foundation in the Baltic markets (Swedbank, n.d.1). Swedbank has four home markets, which are Sweden, Estonia, Latvia and Lithuania. Apart from Swedbank's home markets, the bank has offices in Denmark, Finland, Norway, Luxembourg, China, South Africa and the US (Swedbank, n.d.2). Swedbank is also present through partners in 22 OECD countries (Swedbank, n.d.2).

Swedbank was founded in 1820 in Gothenburg with the aim to help the many people and businesses to achieve a solid financial sustainability (Swedbank, n.d.1, p. 1). This vision is still a foundation in Swedbank's operations. Furthermore, the bank's philosophy is to serve "the many people" in order to create a financially sustainable future for their clients, stakeholders and the society. Swedbank's purpose is to be inclusive rather than exclusive. This commitment has also affected Swedbank's sustainability view today. In all operations, economic, social and environmental aspects are taken into account. Issues such as anti-corruption, environment and human rights are integrated into business decisions. These actions support risk management and create value for Swedbank's stakeholders (Swedbank, n.d.3). Swedbank emphasize the need to consider all three parts of sustainability, since environmental and social issues may affect their clients' long-term sustainability. However, financial sustainability is considered to be the most important aspect and a fundamental part to be prosperous in a long-term perspective. Swedbank's definition of sustainability, including social, environmental and financial sustainability, therefore corresponds to the widely used term CSR.

4.1.1 Respondents

The respondents in this report represent employees from Swedbank's HQ in Sweden and employees from subsidiaries in Swedbank's four home markets, i.e. Sweden, Estonia, Latvia, and Lithuania. Figure 2 visualize Swedbank's home markets and what subsidiary the

respondents represent. As seen in Figure 2, the HQ is located in Sweden and two of the respondents are from subsidiaries in Sweden. Estonia, Latvia, and Lithuania are located in the Baltic market. Hence, when referring to the Baltic region, Estonia, Latvia, and Lithuania are included. Furthermore, Swedbank classifies Estonia, Latvia, and Lithuania as one business region.

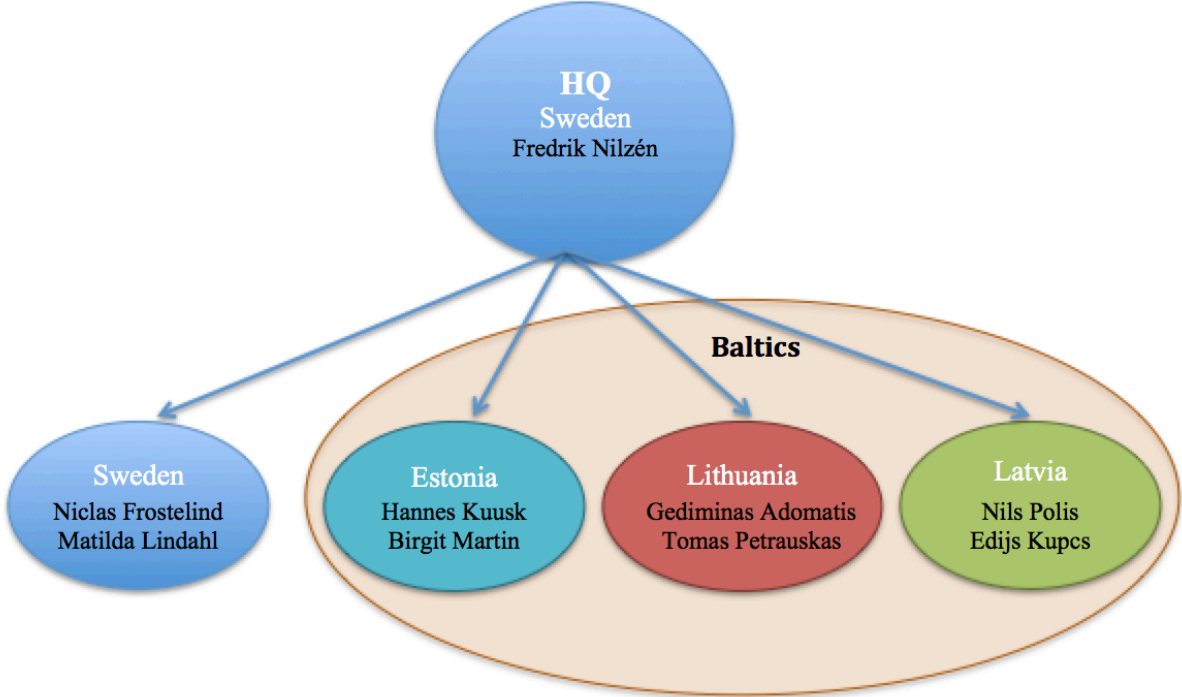


Figure 3: The respondents. (Compiled by authors).

4.2 Procedure for Sustainable Lending

When it comes to the procedure for sustainable lending, Swedbank’s directives and guidelines for sustainable lending differ depending on the amount of exposure to the client. When the exposure to the client is above 0,8 million euro, a comprehensive sustainability analysis is required. The sustainability analysis is based on several underlying questions regarding human rights, environment, climate, geographic location and business ethics. Furthermore, the analysis does not allow any rating of risks. Regarding exposure of credits below 0,8 million euro, there is no detailed description from the HQ how to handle these cases. In these cases, Swedbank rather refers to the bank’s underlying principles. However, Swedbank believes it is important to expand the sustainability analysis to also include SMEs. This

process, regarding a smaller amount of exposure, is something Swedbank will look further into in the future.

For exposure above 0,8 million euro, all respondents have a common perception of the sustainability analysis and its configuration. All respondents need to consider the same type of questions when evaluating the client. If the client answers in consensus with Swedbank's policy, the credit manager do not have to deep further into the client's business operations. However, if there are any deviations, the credit manager needs to take this into consideration and take a stand if Swedbank should work with this client or not. Additionally, the credit manager needs to make a deeper analysis why there is a "red flag" and potential risks. For example, if the risk could lead to unforeseen investments for the client in the future, affect the client's repayment ability, and indirect could affect the bank's risk. If there is any mismatch between Swedbank and the client, after doing the sustainability analysis, the case is forwarded to the credit committee. The credit manager presents the case, and if it is not approved by the credit committee, Swedbank stops the process and do not continue with these clients. However, the majority of the respondents argue a rejection of a client is extremely rare. The clients, who potentially could be rejected by the sustainability analysis, have already been denied before entering this analysis step. As argued by Frostelind, *I think we could reject more clients. I think we are relatively uncomfortable to raise this question. Sustainability is a complex question and we do not have enough knowledge.*

Only one respondent, from Sweden, answered that the subsidiary is doing the same sustainability analysis for all clients, regardless of the size of credit exposure. The majority of the respondents answered that a comprehensive sustainability analysis is not conducted for exposure below 0,8 million euro, but sustainability and environmental risks are included in the ongoing work. For these cases, a screening model is made, and if a sustainability, or environmental risk is perceived, the credit manager should make a comment on that risk. The creditor can afterward give some options to the client in order to mitigate the risk.

To summarize, the procedure for sustainable lending is mainly dependent on the amount of exposure to the client. In case of a large amount of exposure and high risk, a more comprehensive analysis is required. Otherwise, a simpler risk assessment is acceptable. The analysis does not allow any ratings of the risk and the questions are the same for all companies and sectors. The underlying reason for the sustainability analysis is to ensure a low

level of risk at Swedbank. Unforeseen sustainability problems could lead to unpredicted investments in the future and affect the client's repayment ability. Furthermore, Lindahl argues sustainability is important from a brand perspective. Swedbank need to convince their customers that they are responsible actor in the society.

4.3 Institutional Aspects

The following section aims to describe the normative, cognitive and regulative institutional aspects, which may affect the subsidiaries view and management of sustainable lending.

4.3.1 Factors that could affect the normative view of sustainability

Table 3 visualizes four different perspectives that could affect the normative view of sustainability, e.g. age, educational background, previous work experience and knowledge about sustainability. As seen in Table 3, the respondents have an age range between 25 and 50 years. This indicates a wide age range between the respondents and makes it possible to discover interesting generation differences regarding the view of sustainability. Frostelind argues that the younger generation of Swedbank's employees is more aware of sustainability issues and prioritizes sustainability higher than the older generation.

The majority of the respondents have a higher education within economic or business, which can be seen in Table 3. Only one respondent, Kuusk, have gained knowledge about sustainability from his educational background. The Latvian respondents do also have an educational background from two different fields, engineering, and technology & agriculture.

Five out of eight respondents started to work at Swedbank directly after their graduation and do not have any earlier relevant work experience from another organization. As seen in Table 3, none of the respondents have earlier work experience within the field of sustainability. However, three of the respondents have previous work experience from other sectors.

Swedbank does not have a specific education for the sustainability analysis, but all creditors undergo a general creditor education. This education aims to give guidelines to the creditor in basic questions. However, all clients are unique and a clear common guideline for credit exposure is hard to reach. If the creditor needs help with the sustainability analysis, the HQ can assist with guidance. As seen in Table 3, several of the respondents state that they have received much of their knowledge regarding sustainability from work experience at

Swedbank. Sustainability is seen as a normal and important part of the credit analysis, and this has resulted in increased knowledge among the creditors regarding sustainability. The respondents from Sweden, Estonia, and Lithuania also state that they have a personal interest in sustainability. It is notable that much of their personal interest related to sustainability is influenced by their work experience. However, even though Swedbank does not have any formal education for the sustainability analysis, a couple of respondents state that they have received education regarding sustainability at Swedbank.

Common for all respondents, regardless of their diverse background, is that sustainability is seen as something important and valuable. As visualized in Table 3, all respondents have a positive personal view of sustainability. The majority of the respondents further argue that sustainability is important for Swedbank and the banking industry, particularly the financial sustainability. This is essential in order to create long-term value and stability. Frostelind argues that his personal interest in sustainability has developed over time. When he started at Swedbank for around 30 years ago, he did not understand sustainability as something important. However, this view has changed over time and sustainability is today highly integrated in daily operations. Lindahl further argues that sustainability is the future and may probably be even more important in the upcoming years.

In short, the majority of the respondents have gained their knowledge about Sustainability through their work at Swedbank. However, a shift among the younger generation of employees is seen, where the awareness of sustainability is strong already before entering the company. A large number of employees have started their career with Swedbank as their first employer, which means that few respondents have previous work experience from other sectors and companies. Additionally, Swedbank does not have a special education for their employees regarding sustainable lending. However, all respondents still argue they have a high interest in sustainability and understand its importance.

Table 3: Normative Factors.

	<i>Respondent</i>	<i>Age</i>	<i>Educational Background</i>	<i>Previous Work experience</i>	<i>Knowledge about sustainability</i>	<i>Personal view of Sustainability</i>
Sweden	Niclas Frostelind	50	High school and internal education at Swedbank	Started directly at Swedbank	Not so much focus on sustainability when I started at the bank, understand the importance today.	Personal interest. The will to do a good job and understand the importance of sustainability in the banking sector.
	Matilda Lindahl	40	BSc Marketing	Started directly at Swedbank	Personal interest and education at Swedbank	Very important, it is the future. Important for the bank that the clients are sustainable.
Estonia	Hannes Kuusk	26	BSc Finance	Started directly at Swedbank	Work experience and knowledge from education. Personal interest.	Really important. One of the most important thing when we look at companies, at least financial sustainability.
	Birgit Martin	25	MBA in Economics	Started directly at Swedbank	Something we need to look into. Not only environmental but also financial sustainability	Something we need to look into. Not only environmental but also financial sustainability.
Latvia	Nils Polis	50	Engineering and MBA	Civilage, Deloitte, Shenker	Training programs at Swedbank and knowledge from business and industries with environmental problems.	Big question. Sustainability is equal with long term. Environmental, social and financial perspectives.
	Edijs Kupcs	38	BSc Technology and Agriculture MSc Financial Management & Baltic sea region economy	Agricultural and Mechanical sector Desk manager in the hotel business	Education at Swedbank.	Very important for me and the business as a whole.
Lithuania	Gediminas Adomatis	33	MSc Economy	Started directly at Swedbank	Personal interest	It's important. If you finance an un-environmental friendly company this can lead to future costs.
	Tomas Petrauskas	32	BSc Business Administration	Headhunter, Human Resource Management, Executive Recruiter	Personal interest. Training and guidening at Swedbank	Important, especially in the finance industry. We need to work in a long-term sustainable way.

4.3.2 High priority of Financial Sustainability

According to the HQ, sustainability is seen as one of the fundamental parts in Swedbank. One of the main drivers during the establishment of Swedbank was to create a sustainable financial future for its customers. Financial sustainability is furthermore one of the cornerstones in order to create a long-term financial value in the bank. Financial sustainability has always had the main focus, but during the recent years, also social and environmental sustainability has

grown in importance. However, Nilzén further argues that the concept of sustainability is still under development and continuously need to be adapted based on changes in the world.

In accordance with the HQ, the Swedish respondents state that social and environmental sustainability has grown of importance during the recent years, but the main focus is still on the repayment capacity of the client, i.e. financial sustainability. However, the Swedish respondents emphasize that Swedbank could do more regarding social and environmental sustainability, and perceiving an increasing interest regarding social and environmental sustainability among their clients. Lindahl argues all aspects of sustainability are important since the clients' performance in social, environmental and economic sustainability affect the long-term prospects. However, Lindahl further argue *Swedbank may not invest in sustainability just because it is a good deed, the client must have an ability to pay back. Swedbank cannot use the customers' money for such investments.*

The Baltic nations also acknowledge financial sustainability as something important and a vital part of the credit analysis. In the Baltic region, several respondents view Swedbank as a predecessor of sustainability. Polis argues that the Baltic nations are younger than Sweden, and Baltic corporations do not have a thorough sustainability performance. According to Polis, *Swedbank might be one of those companies who are leading the idea of sustainability in the Baltic region.* However, the importance of social and environmental sustainability is increasing in the Baltic region.

Several respondents in Baltic region state that they have been working with the sustainability model for several years, and have learned how to work with the tool. All respondents also state that the view of sustainability is quite similar within the whole subsidiary, and all employees understand why it is important. Kupcs argues that sustainability is taken into consideration in several areas in the subsidiary, not only in the credit analysis. For example, products such as coffee are ordered from sustainability-accepted brands. Kuusk further argues that the most important part of sustainability for SMEs is financial sustainability, while environmental and social sustainability has a higher level of importance for MNCs. According to Kuusk, *SMEs do not have a high level of environmental and social risk. Risks such as pollution and slave labor, are mostly covered by MNCs.*

To summarize, financial sustainability is considered as the most important part of sustainability. This can be explained by the fundamental part to create a financial long-term value. However, the importance of environmental and social sustainability is increasing. The Swedish respondents perceive an increasing interest regarding social and environmental sustainability among their clients.

4.3.3 The subsidiaries priority of sustainability

Regarding how sustainability is prioritized in relation to other tasks, the Swedish respondents state that social and environmental sustainability not is the most prioritized factors in today's credit analysis of the borrower. Other types of risks are often prioritized higher, such as cash flow and repayment capacity. As stated by Lindahl *To be honest, the highest focus is on the client's repayment ability and how to secure Swedbank's money. Unfortunately, social and environmental sustainability have a lower priority.* However, the Swedish respondents emphasize that the importance of social and environmental sustainability are increasing and are gradually granted more focus.

The Lithuanian respondents do not want to categorize the different risks in the credit analysis. They consider that all parts are important and do not have different priorities. In Estonia, on the other hand, the respondents have different opinions. Kuusk state that sustainability risks are one of the most important risks along with financial risk and credit risk. Martin argues sustainability is important, but not more prioritized than other tasks. Martin states that it has the same priority in relation to any other client-related analysis. The Latvian respondents both agree that sustainability is an important part of the credit analysis. Polis do not think there is a priority list as such, Polis argues that all aspects are important when they are considering a client. Kupcs argues that sustainability risks should be relatively highly prioritized. Sustainability should be prioritized as other social risks and be in the top-three priority list to consider when evaluating a client.

In brief, the respondents are relatively dissident regarding the priority of sustainability. Some respondent in the Baltic region believes sustainability is prioritized equally with other risks, while other respondents believe sustainability should be in the top-three priority list. The Swedish respondents argue that social and environmental sustainability have a lower priority in relation to other factors, particularly when it comes to social and environmental sustainability.

4.3.4 External and internal directives regarding sustainability

The majority of the respondents were unsure if there are any national laws regarding sustainable lending. However, all respondents assume Swedbank not is controlled by any national laws regarding sustainable lending, neither in Sweden nor in the Baltic countries. However, there are laws and regulations regarding the credit market, such as the amount of exposure to the client. Finansinspektionen is the responsible authority in the Swedish market. Finansinspektionen regulates the Swedish banking sector and makes sure the bank follows existing laws and regulations in the credit market. Nilzén further state that although national laws do not cover Swedbank's sustainable lending activities, laws and regulations control Swedbank's clients in their respective sector. Swedbank therefore need to be aware of different sectors' laws and regulations when evaluating the client. The credit market is also controlled by different EU directives, primarily through requirements about reporting the financial situation in the organization. Even though there are no specific laws regarding sustainable lending, high expectations are added on Swedbank, and other banks, to act sustainable, in relation to other companies.

Even though there are no national laws regarding sustainable lending, the sustainability analysis is based on national laws and regulations in all home markets. According to Nilzén, national requirements and corporate governance regarding sustainability are usually more evolved in Sweden than in the Baltic nations. This can be explained by a more developed legislation concerning sustainability issues in Sweden. As a result, the Swedish subsidiaries mostly following existing laws and regulations, while the Baltic subsidiaries constantly challenge their customers to develop their corporate governance in a more sustainable direction.

Regarding internal regulations, Swedbank has a mandatory analysis model for all cases with exposure above 5 million SEK or 0,8 million euro. However, the HQ encourages the subsidiaries to include the sustainability analysis in all cases. Despite this, it is only Lindahl from the Swedish market who include the sustainability analysis in all cases. However, several respondents argue a risk assessment is conducted regardless of the amount of exposure.

To summarize, no national laws regarding sustainable lending is found in the home markets. However, the clients normally have regulations within their industries, which Swedbank

indirectly needs to be aware of and take into consideration. In addition, all respondents have internal regulations to consider. The sustainability analysis model needs to be conducted in all cases with exposure above 0,8 million euro. Furthermore, a risk assessment is always conducted, regardless of exposure.

4.4 Relational aspects

The following section aims to describe relational aspects to the HQ, including identification, dependence, and trust. These aspects may affect the subsidiaries level of acceptance and implementation of sustainability policies and activities.

4.4.1 High identification with the headquarter

Regarding identification and if the activities in the subsidiary are similar to the activities at the HQ, all respondents believe that the activities are more or less the same. Within the bank, all subsidiaries should have the same tools and follow the same sustainability analysis. However, the majority of the respondents further argue that it probably is some minor local differences in the subsidiaries. Local differences could, for example, be based on the subsidiary's location (capital or smaller village), typical clients for the subsidiary (the type of industry), and the general perception of sustainability at the local office manager. Local activities are also highly dependent on in what way the office manager communicates sustainability to the rest of the employees.

Common for all respondents, is that they feel a tight relationship with the HQ and believe that they share the same organizational values and believes in the whole company. Several respondents mentioned that they are working towards clear values in the organization, which plays an important role in the daily work. Several respondents further argue that all home markets have similar national cultures, which in that sense makes it easier to find a common corporate culture. Martin from Estonia explains it, as *it should be a lot more difficult if the company should have one subsidiary in Moldova and one in Brazil for example, but between Sweden and the Baltic countries, I do not see that much cultural difference.*

To summarize, all respondents perceive a high level of identification with the HQ. This considers the organizational values and beliefs, as well as activities in the organization. This could be explained by relatively similar national cultures and usage of the same analysis tool.

4.4.2 High dependence to the headquarter

Regarding dependence to the HQ, all respondents have more or less the same view about decision making in the organization. Decision-making is normally based on a combination of both own initiatives and directives from the HQ. All respondents argue that they are following a sustainability policy with key directives when evaluating exposure to clients. The level of dependence is furthermore related to the requested amount of exposure to the client. For small amounts of credits, and for day-to-day activities, decisions are normally made locally. For clients with a higher level of risk, larger projects, or higher exposure of credits, the decision is forwarded to the HQ or the credit committee. Commonly for all respondents, the majority of all decisions are made in consensus, with at least two people. Some respondents further argue that individual decisions can be made in case of very small amounts of exposure or in low-risk projects. Additionally, for large and complicated cases, more than two people could be involved.

The majority of the respondents do not directly report to the HQ. However, all respondents mentioned that Swedbank has a control and review structure and are continuously followed up by the HQ. According to Nilzén, an annually internal and external audit is conducted in order to control if internal directives are followed, and to find opportunities for improvements.

In short, the subsidiaries have a high dependence to the HQ. The subsidiaries have clear guidelines and directives regarding how to evaluate the clients. However, decisions are made both locally at the subsidiary and centrally at the HQ, which normally is dependent on the amount of exposure to the client and the level of risk. Additionally, the majority of the decisions are made in consensus with at least two creditors.

4.4.3 High trust in the headquarter

Regarding trust in the HQ, all subsidiaries in Swedbank's home markets believe the HQ are making relevant decisions for the whole organization. However, the Swedish market believes it sometimes can be a lack of explanation why certain decisions are made. The Swedish respondents argue it is important to understand why decisions are made, and their purpose. Frostelind states *if the employee understands the purpose, they might also understand why it is needed. Otherwise, the employees easier will get a negative view of the decision.* Therefore, if the subsidiary understands the reason for the change or activity, the subsidiary may also

believe it is a good decision. The subsidiaries in the Baltic region agree that the HQ seems to have a high trust in their subsidiaries. Polis discuss *HQ initiatives are coming from a more advanced country, and the Baltic subsidiaries better follow and listen*. Some respondents argue that they do not see the HQ separate from the rest of the company. They believe the organizational hierarchy is low and it is possible to disagree with the decisions the HQ are making.

Regarding the level of support and knowledge from the HQ to implement sustainable actions and solutions in the organization, the respondents had relatively shared opinions, especially between the Swedish and the Baltic region. Both of the Swedish respondents believe the sustainability model could be much better and more precise. Today, the questions are a little bit too “fuzzy” and “overall”. To take it one step further and find crucial details, the model needs to be more specific. A possible suggestion could be to have a sustainability analysis customized for different sectors. Again, the explanations why these changes are done are extremely central. In the Baltic region, on the other hand, the majority of the respondents argue that they are given enough knowledge and support from the HQ. The respondents are familiar with the analysis tool and do not encounter any problem with the model. Several respondents argue that they have been given clear guidelines regarding sustainable lending and how to do business in different companies and sectors.

In brief, all respondents feel a high trust to the parent organization. Decisions made by the HQ are considered as relevant, even though some respondents argue improvements can be made regarding explanation why certain decisions are implemented. Swedbank is furthermore perceived as an entity with low hierarchy and the subsidiaries do not see the HQ separated from the rest of the company.

4.5 Difficulties with the sustainability analysis

According to all respondents, the sustainability analysis is not divided into different sectors or industries and is the same for all companies. However, in order to support the creditors, Swedbank has sector guidelines to identify relevant laws and regulations in different sectors. Additionally, some business areas have a more detailed checklist to facilitate the decision process for the creditor. Even though these guidelines and checklists exist, the respondents from Sweden, Estonia, and Latvia are empathizing that it is much up to the creditor to have own knowledge about the sector and know what questions that are relevant to ask. Among the

Swedish respondents, this is seen as a problem due to bias. The creditor's knowledge about sustainability becomes vital since it depends on if the creditor understands what potential sustainability risks that are linked to specific industries. In order to understand where the potential risk may arise, the creditor must be familiar with the industry. Additionally, Lindahl argues *the questions are relatively easy to check, the problem is rather to strengthen the validity of the sustainability analysis*. Furthermore, some risks may be easier to understand and to identify. For example, both Lindahl and Frostelind pointed out that it is easy to understand that chemicals are dangerous, but sustainability risks also consist of long-term consequences that appear after several years. Furthermore, since the questions are quite wide, it can be hard to give a clear yes or no answer. The sustainability analysis may therefore not be relevant to all cases, which may reduce the creditor's motivation to conduct the analysis. The respondents from the Baltic region are not criticizing the model, and are emphasizing that they have guidelines and questions to follow.

Regarding the complexity of the analysis, the majority of the respondents argue it is difficult for the creditor to know how far they should go in their sustainability analysis. For example, if the creditor only should investigate the client, or also include the client's supply chain. In contrast, the Lithuanian respondents state that the sustainability analysis is not complicated to conduct. The respondents argue that they have used the sustainability analysis for several years and are used to how it works, and therefore not find it challenging.

The Estonian respondents emphasize that the sustainability analysis is a bit complicated, due to the fact that the information can be hard to gather for some companies in order to get a comprehensive overview of the risks. Kuusk stated that it is not difficult to find the right information about the Estonian companies that only have their operations in Estonia. Kuusk further argues it is more challenging to find information about international companies with suppliers all over the world. Martin also confirms the lack of industry-specific questions. As a consequence, it is therefore important to "know your client" in order to understand relevant questions to ask within the specific industry. How well the creditor knows the clients depends both on the size of the individual client, and the number of total clients the creditor have. The sustainability analysis and sector guidelines give an indication of what areas to look at, but the most important aspect is still for the creditor to know its clients.

The Latvian respondents give two perspectives on what is complicated. Polis states that the most complicated part is the communication with the client, especially with the local startup companies. They do not always understand why the bank focuses on sustainability and it can be challenging to explain the underlying reason for the client. In that sense, it is easier to mediate with international clients or developed local ones. These organizations have a better understanding of sustainability issues and the importance to consider these risks. Furthermore, Kupcs believes it is complicated and time-consuming to update himself with relevant laws and regulations. Therefore, Kupcs would appreciate if the analysis tool could be updated once a year with new information within the area.

In short, the respondents have different views regarding difficulties with the model. The Swedish respondents have defined weaknesses with the model and liabilities depending on the creditor's personal opinion and knowledge. It can therefore not be guaranteed that the result is independent of the creditor. According to the Swedish respondents, the underlying problem is the lack of organizational-wide education regarding sustainable lending. On the other hand, the Baltic respondents are considerably more positive to the model and do not find it problematic. However, some respondents argue that the model is time-consuming and sometimes experience struggles to find relevant information.

4.5.1 Difficulties to know the client

Regarding important information to gather in order to do a reliable sustainability analysis, different answers have been given from the respondents. Lindahl answered that they need more industry-specific questions. One solution could be to have both one general analysis, and one additional analysis specific to the different sectors. Frostelind believe it is important to be comfortable with the questions and to make sure that these questions are valuable and the most important ones. The credit manager needs to understand why these questions are important. Furthermore, it is important for the HQ to follow up the analysis. Both respondents from Lithuania believe the whole analysis process itself is important. Adomatis and Petrauskas do not think some parts are more important than others, and questions such as financial position, environmental position, behavior, and working conditions for employees are all essential. They further argue it is important to ask different questions depending on what industry being investigated.

The Estonian respondents highlight the importance of gathering enough information of the client. Kuusk argues it is highly important for the bank to make sustainable loans in Estonia's current growing economy and export, especially after the last financial crisis. It is important to look at different layers when the information is gathered, for example, what contract the client has, and exchange rate risks. Kuusk states it is difficult to bring up specific information that is important to gather. The bank must look at all three types of sustainability issues, financial, social and environmental. Martin repeatedly stresses that in order to make a good sustainability analysis, it is important to know the client and visit their facilities. When you visiting the client and each step of the production are explained, it is much easier to understand and identify potential risks.

In accordance with Martin, the Latvian respondents point out the importance to know the client and what laws and regulations they must follow. This process is commonly known as KYC within the banking industry. Polis argues there are three important areas to gather information about. The first area is regarding the manager's awareness of sustainability, i.e. if the managers are aware of sustainability problems and how deep this awareness is. The second area is the mandatory certificate the company is required to have, i.e. following the relevant laws and regulations in the specific industry. The third area is voluntary actions, i.e. if the client is making additional effort to be sustainable. An example of this can be to get ISO certificates. By doing voluntary sustainability actions the clients can be seen in a better light by the bank.

To summarize, commonly for all respondents, the most important aspect is to know the client. This is important in order to conduct a reliable sustainability analysis. This is particularly important since each case is unique and it is difficult to establish a common framework for all clients. Therefore, the key factor in order to meet these challenges is to be informed about the customer.

5. Analysis

The analysis chapter starts with a discussion about sustainability as a strategy for a low-risk profile, followed by the subsidiaries relation to the HQ, cognitive and normative profiles and its influence on sustainability, as well as regulations and its influence on sustainability practices. Lastly, combined points of the analysis are presented.

5.1 Sustainability as a strategy for a low-risk profile

According to Lentner, Szegedi & Tatay (2015), economic, ethical and discretionary responsibility are common levels of responsibility in the banking sector. Economic responsibility means to ensure profitability and growth in the organization (Lentner, Szegedi & Tatay, 2015). One of the main reasons for Swedbank to include sustainability in lending procedures is to ensure long-term economic growth and stability. Swedbank is seen as a bank with low-risk profile, and sustainability risks are one of many important parts to take into consideration when evaluating the client due to unpredictable consequences in the future. Lentner, Szegedi and Tatay (2015) further argue ethical responsibility implies to follow basic ethical principles of honesty and sincerity. Nilzén, who argues that one of Swedbank's core values is to be "the bank for the many" and to be an inclusive bank instead of an exclusive, supports this. Additionally, Nilzén state Swedbank aims to be a positive force in the society and a good corporate citizen. Lastly, discretionary responsibility means to work towards societal improvements (Lentner, Szegedi & Tatay, 2015). Similarities can be found in Swedbank's subsidiaries, which affect companies to act more sustainable by reject clients who do not have sufficient sustainability policies. Arguably, Swedbank thus has a great power to influence organizations to change a harmful behavior or to promote inventions of new solutions. These arguments are supported by Aintablian, McGraw and Roberts (2007). The authors argue when a bank is approving a loan of a client, this signalize the environmental risk is relatively low. As a result, the bank has a great signaling power and can use this to promote societal and environmental improvements. In order to indicate a unity in these aspects, it is of great importance for Swedbank to have a common view regarding sustainability in all markets.

5.2 The subsidiaries relation to the headquarter

The following section discusses how the subsidiaries relation to the HQ may affect the view and implementation of sustainability practices. The main aspects discussed are identification, dependence, and trust.

5.2.1 The subsidiaries identification with the headquarter

All respondents believe that Swedbank's activities are similar in all four home markets, including the HQ. All subsidiaries have the same analysis tools and follow the same structure in the sustainability analysis. Additionally, all respondents feel a tight relationship to the HQ and believe they share the same organizational values and beliefs. Kagan (1958), and O'Reilly and Chatman (1986) argue beliefs in the organization's goals and values may, in turn, result in identification with the organization. Furthermore, subsidiaries that view themselves as similar to the parent organization will more likely share the same organizational values and beliefs, and as a consequence increase the possibility of successful implementation (Kostova & Roth, 2002). In line with Kagan (1958), O'Reilly and Chatman (1986), and Kostova and Roth (2002), it could be supported that the subsidiaries have a high level of identification with the HQ, and experience a state of attachment to the parent organization. The subsidiaries high identification with the HQ may, in turn, facilitate the implementation of new practices from the HQ to the subsidiaries. However, the respondents are aware of smaller differences dependent on factors such as location and typical industries in the specific area. Furthermore, although the subsidiaries are relatively dependent on the HQ and have a clear analysis tool, several respondents are convinced that the local office manager has a central role regarding the general perception and view of sustainability in the subsidiary. The respondents indicate that the view of sustainability in the subsidiary to a large extent depends on how the local office manager prioritizes sustainability and how sustainability information is communicated to the rest of the employees.

5.2.2 The subsidiaries dependence to the headquarter

According to Kostova and Roth (2002), the dependence between a subsidiary and its HQ can be symbolized by a hierarchical and non-symmetrical relationship. A subsidiary with a high level of dependence to its HQ is normally highly reliant on support and resources from the parent organization (Kostova & Roth, 2002). Resources to the subsidiary could typically be capital, technology, and expertise (Kostova & Roth, 2002). The level of dependence is relatively high at Swedbank, especially when it concerns a higher amount of exposure to the

client. In these cases, the credit manager needs to follow a strict template and directives from the HQ in order to evaluate the client. The level of dependence in Swedbank is, in other words, related to the amount of exposure to the client. However, for small amounts, decisions are made locally and can be made by only one person. Otherwise, all decisions need to be made in consensus with at least two persons. Furthermore, even if the level of dependence is relatively high, the subsidiaries do not directly report to the HQ. Nevertheless, the HQ continuously follows up the activities in all subsidiaries. Arguably, the level of dependence could be related to the level of risk. Swedbank is a bank within the low-risk segment, which could explain the need for higher control in case of increased exposure. Decisions are made centrally at the HQ when the amount of credit exposure is high, while the subsidiaries can make decisions locally with lower credit exposure. The amount of credit exposure is therefore seen as the critical factor regarding the subsidiaries dependence to the HQ. With this in mind, the financial sustainability could be seen as the most influential aspect of sustainability in Swedbank.

A high dependence to the HQ could result in a resistance to adopt practices by the subsidiary (Kostova & Roth, 2002). This issue or concern could not be confirmed in this study. All respondents agree the HQ are making relevant decisions and actions for the whole organization, and all respondents have a positive attitude towards the sustainability analysis. The respondents from the Baltic region is particularly positive to adopt practices from the HQ since they believe Sweden is much far ahead when it comes to the view of sustainability and sustainability practices. Consequently, although a high level of dependence exists, the subsidiaries do not have resistance to adopt practices.

5.2.3 The subsidiaries trust in the headquarter

Szulanski (1996) argues a high level of trust in the parent organization positively will influence the transfer of practice to the subsidiary. Trust in the parent organization will therefore likely result in a mimetic conformity, rather than a coercive (Tsai & Ghoshal, 1998). A high level of trust may furthermore reduce the cost of negotiation and communication between the HQ and the subsidiary (Zaheer, McEvily & Perrone, 1998; Bromiley & Cummings, 1995). As mentioned earlier, all respondents believe the HQ is making relevant decisions for the whole organization. However, the Swedish subsidiaries believe the HQ could be better to explain why certain decisions are made and the purpose of those activities.

By explaining new implementations fundamentally, the employees would probably gain a higher trust in the HQ and get more satisfied with their decisions.

In general, all subsidiaries have a high trust in the HQ and believe the HQ are making relevant decisions for the whole organization, even though the Swedish region have a more critical view of the sustainability analysis. The Swedish respondents believe the questions in the analysis are too general and would like to have more specific questions to the industry. In the Baltic region, the majority of the respondents is satisfied with the analysis tool and is comfortable to follow the model in order to make the right decision. Since they are familiar with the analysis tool and have clear guidelines, they do not perceive any problem with the sustainability analysis. One possible reason for this dissimilar perspective regarding the analysis tool between the Swedish and Baltic subsidiaries is that Sweden is further ahead and more developed when it comes to environmental issues and sustainability. From a Baltic company's view, the sustainability actions implemented by Swedbank probably are above average considering environmental problems. In Sweden on the other hand, sustainability issues are a major part of the social debate and an important question for many companies. This could be one possible reason why the Swedish respondents are more critical to the sustainability analysis. The Swedish respondents do not think today's analysis is enough to make a valuable and trustworthy analysis of the client since it is too broad and too general. The Swedish respondents do also think the HQ could be better to explain why new changes are implemented.

In line with Tsai and Ghoshal (1998), the subsidiaries adopt practices with a mimetic conformity, which probably depends on a high level of trust to the parent organization. The implementation of the sustainability analysis is therefore not perceived as enforced by the subsidiary. The subsidiaries have a positive attitude towards the sustainability analysis and believe the implementation is important. As a result, a low cost of negotiation and communication between the HQ and the subsidiaries can be assumed. This is in accordance with Zaheer, McEvily and Perrone (1998), and Bromiley and Cummings (1995).

According to Kostova and Roth (2012), a subsidiary's trust in the parent organization is highly contingent on the support from the HQ, such as capital and expertise, but also control. In an organization with a high level of dependence, monitoring and following up the subsidiary is implied in the concept (Kostova & Roth, 2002). Even though control from the

HQ is important in order to increase the trust in the parent organization, a lack of control is identified between the HQ and the subsidiaries. However, as mentioned earlier, the level of trust in the parent organization is considered as high among the subsidiaries. With this in mind, a less critical view regarding the sustainability analysis among the Baltic respondents could be based on a higher trust to the HQ than the Swedish respondents. The Baltic respondents are confident with the HQ's expertise regarding sustainability and have no reason to be critical to the analysis.

5.3 Cognitive and Normative profiles and its influence on sustainability

A country's shared social knowledge is reflected by the cognitive components of institutional theory (Markus & Zajonc, 1985; Kostova & Roth, 2002). Kostova and Roth (2002) argue people in different countries categorize and interpret phenomenon differently due to cognitive elements. Some differences exist regarding how the subsidiaries view sustainability and its importance. All respondents agree sustainability is something important and have a positive attitude towards sustainability. However, sustainability can be divided into two main segments, financial sustainability, and social- and environmental sustainability. The level of importance between these two segments is unequal. The financial sustainability, such as cash flow and repayment ability has a higher priority in comparison to social and environmental sustainability. However, the Swedish respondents indicate that social and environmental sustainability is a topic of growing importance. This indicates that the Swedish and Baltic subsidiaries have a similar cognitive profile since all respondents understand the importance of sustainability and interpret the phenomenon equivalent.

Naturally, subsidiaries with a favorable environment will have better conditions to comprehend the value of the practice since it will be in accordance with the local context (Kostova & Roth, 2002). A favorable cognitive profile increases the employees understanding of the value of the practice, and thus contributes to a positive attitude towards implementation and internalization of the activity (Kostova & Roth, 2002). A difference between the Swedish and Baltic subsidiaries is that the Swedish respondents are more critical to the actual contribution of Swedbank's sustainability analysis. All respondents state that sustainability is a natural part of the credit analysis, but the Swedish respondents are more critical to the contributed value of the model. The Swedish respondents state that the model is too wide and not industry specific. The Swedish respondents further argue the model should be adapted to different industries in order to be more effective. The Baltic subsidiaries are not as critical to

the model and think the model adds value, despite a lack of industry-specific questions. This could imply that the Swedish respondents have a more favorable cognitive understanding of sustainability than the Baltic subsidiaries since they to a larger extent identifies faults and defects with today's sustainability analysis. As mentioned by the majority of the respondents, it is extremely rare that clients are rejected after being reviewed by the sustainability analysis. The actual societal contribution with the analysis could, therefore, be debated, which only was highlighted by the Swedish respondents.

Kostova and Roth (2002) argue that when an organization is adapted to the nation where it operates, the organization's activities are considered more legitimate by the society. The majority of Swedbank's creditors prefer a more detailed and nation-specific sustainability analysis. Today, the sustainability analysis is designed similarly for all market, independent of industry-specific differences. For example, the Swedish market is more specialized in heavy industries, while the Baltic nations have more focus on agriculture. Consequently, this may lead to legitimacy problems in the markets where Swedbank operate. However, only the Swedish subsidiaries are critical to this general model. The Swedish subsidiaries are therefore positive to have a more extensive sustainability analysis in order create more a more valuable evaluation of the client, even if it will involve additional resources. This is in accordance with Kostova and Roth (2002), which further discusses that organizations may adopt some practices due to legitimate reason and not with regard to efficiency of the practice. Today, it is up to the individual creditor to take this analysis one step further and involve industry-specific questions. This may imply a shifting quality of the sustainability analysis dependent on the creditors own interest and knowledge within sustainability. Therefore, from Swedbank's point of view, it could be important to develop a mandatory industry-specific model.

5.3.1 The importance to know the client

KYC is a concept of growing importance within the financial sector, due to an increase of rules and regulations (Arasa & Ottichilo, 2015). It is therefore of great importance for financial institutions to identify their customers and establish applicable information about the client (Arasa & Ottichilo, 2015). Furthermore, KYC is an ongoing activity, and the client's validity constantly needs to be revised (Hopton, 2009). In accordance with the academic literature, the respondents indicate it is highly important to know their clients, in order to achieve a reliable sustainability analysis. However, difficulties have been visualized in order to gather desirable information. One critical part is to gather information from international

companies since international companies are operating in several parts of the world and information needs to be collected from a wider network. Therefore, an overall picture of the international company is more problematic to reach in comparison with a local organization. Another critical factor is to have a valuable communication regarding sustainability issues with the clients, especially with local start-ups. Those companies are harder to convince regarding the importance of sustainability issues, in relation to international companies who are more familiar with sustainability issues due to external pressure. One can argue it is of importance for Swedbank to educate the creditors in order to give them the right tools and knowledge to convince the clients about the importance of sustainability.

The importance for banks to know their clients is also highlighted by Lilley (2003), who argue KYC is the first defense line against criminals since all potential clients need to go through the KYC framework before becoming a client to the bank. This is supported by the subsidiaries since they indicate that the majority of the undesirable clients are sorted out in this process. Since KYC is an ongoing relationship, Arasa and Ottichilo (2015) mention that laws and regulations continuously need to be updated. Unfortunately, the respondents indicate this process to be time-consuming and complicated. Today, the creditor need to stay updated and find the right information specific to each case, which is time-consuming and drains resources from other tasks. Since the creditor needs to find the relevant information by themselves, the quality of the analysis may vary depending on the size of the client and the creditor's total number of clients.

One of the most critical factors regarding sustainable lending is the creditors own knowledge about sustainability. Today, it is much up to the creditor to know what additional questions they should ask the client, and what risks that are linked to different industries. Additionally, it is found to be difficult to determine how far and how detailed the creditor need to investigate the borrower. This argument is supported by Weber, Fenchel, and Scholz (2008), which argue that creditors normally have an inadequate understanding of environmental risks and its impacts on the loan portfolio. It is indicated that Swedbank may not consider this risk, due to the lack of education regarding sustainability. The majority of the knowledge regarding sustainable lending is gained through work experience at Swedbank. This indicates that the quality of the analysis may differ from case to case and is highly dependent on the creditor's own interest and time of employment at Swedbank.

5.3.2 Sustainability risks in the banking industry

According to Thompson (1998) banks are normally exposed to three types of risks, which are direct, indirect and reputational risk. In short, direct risk is the exposure of risk that stems from the lending client (Thompson & Cowton, 2004), while indirect risk describes the potential value or profit loss for the bank, due to the lending client (Thompson, 1998). As mentioned by the respondents, indirect risks are one of the most prominent factors, which could affect the bank. One indirect risk that is highlighted is the client's repayment ability and the risk for unforeseen investments in the future. If the client is getting unexpected costs due to environmental issues, the client's repayment ability to Swedbank will decrease. The direct risk in Swedbank is perceived as relatively low. This could be explained by the mandatory sustainability analysis, which aims to reject potential clients with environmentally hazardous activities. According to Thompson (1998), reputational risk is the loss of clients in response to bad publicity. The respondents also support this statement since the sustainability analysis is a tool for Swedbank to sort out irresponsible organizations and companies they do not want to be associated with. In order to identify these risks, the creditor needs to possess relevant knowledge about their clients, and risks associated with sustainability and different industries.

5.3.3 The significance of the creditor's own knowledge and opinion about sustainability

Tolbert and Zucker (1996) argue that a positive perception about a practice value is important to facilitate the initial adoption of a practice and improves the practice stability and persistence over time. It is therefore important that Swedbank's credit manager understands the importance of the sustainability analysis. However, as seen from the Swedish creditors, the sustainability analysis is in need for development. In order to maintain practice stability and persistence over time, improvements are preferred. Currently, the analysis has an inadequate contribution to social and environmental sustainability in the society. Today, few clients are rejected by the sustainability analysis and it is only the most obvious risks, such as chemical pollution, that are considered. As a consequence, several social and environmental risks are not detected by the analysis. Thereof, the societal contributions will not be especially high.

Human behavior in different national environments is reflected by the normative component of the institutional theory, i.e. individuals' norms, values and assumptions of how they should behave (Kostova & Roth, 2002). According to Kostova and Roth (2002), the national environment and the individual's personal background are forming the normative profile.

Factors that may affect the individual's normative profile are age, educational background, previous work experience and knowledge about sustainability. In contrast to Kostova and Roth (2002), no clear connection between age and sustainability interest could be found. The respondents have an age span between 25 and 50 years. The youngest respondent comes from Estonia, whereof the oldest are from Sweden and Latvia. All respondents express that sustainability is important to them individually. This could be explained by the constant involvement of sustainability in the daily work among all respondents. Even though no clear connection could be found between age and sustainability interest, several respondents indicate that the younger generation is more aware of sustainability issues and are more proactive in these questions.

Kostova and Roth (2002) discuss the organization is affected by the institutional pressure through the organization's employees and their normative profiles. They further argue the employees bring their own values, thoughts, and beliefs to the organization and therefore affect the implementation of practices (Kostova and Roth, 2002). All subsidiaries are affected by the HQ's norms and values, i.e. a Swedish normative profile. The Baltic subsidiaries are with other words not particularly adapted to the national market. The same sustainability analysis is used in all Swedbank's markets. Furthermore, the different subsidiaries seem to have an equal understanding of the importance of the sustainability model. One possible reason could be the Baltic subsidiaries view of Sweden and the HQ as a precursor regarding sustainability. Additionally, the majority of the respondents started to work directly at Swedbank after their graduation and therefore has no prior experience or reference point regarding how other organizations are dealing with sustainability issues. The majority of the respondents neither have any education or any work experience within the sustainability field. Due to the lack of knowledge regarding sustainability, the respondents argue it is hard to determine how deeply they should investigate their clients. Arguably, this may affect the quality of the sustainability analysis, due to a lack of a deeper understanding and critical views within the area.

Kostova and Roth (2002) state that if practices in the organization are in line with the personal normative profile, it is more likely that the employees will have a positive attitude towards the practice and the implementation will be facilitated. Sweden and the HQ are ahead of the Baltic nations with regard to sustainability, and the HQ may have based the sustainability analysis mainly on the Swedish national environment. Therefore, Swedish subsidiaries may

have a more favorable normative profile than the Baltic subsidiaries. However, it is indicated that the Swedish subsidiaries are more critical to the sustainability analysis than the Baltic subsidiaries. This is mainly due to the fact that the HQ's actions are not seen as progressive in Sweden as in the Baltic subsidiaries. This could imply that the Swedish subsidiaries have an increased understanding of sustainability issues in comparison to the Baltic subsidiaries. Arguably, this may enable for the Swedish subsidiaries to give more critical feedback regarding the sustainability model than the Baltic subsidiaries. Furthermore, Kostova and Roth (2002) indicate the likelihood of increased internalization with a favorable normative profile, i.e. practices are in accordance with the employee's beliefs, values, and norms. Therefore, one could argue that the Swedish subsidiary's increased understanding of sustainability problems would increase the development of the sustainability analysis and the degree of internalization. Nevertheless, in contrast to Kostova and Roth (2002), the subsidiaries have a positive attitude towards the sustainability analysis regardless of normative profile. Additionally, the level of implementation seems to be more or less the same among the subsidiaries.

In line with the normative component, the cognitive component influences the organization through the employees (Kostova & Roth, 2002). The employees do not only bring their own values and beliefs to the organization, but also the general national view (Kostova & Roth, 2002). Sweden and Swedbank's HQ are seen as a predecessor in the Baltic subsidiaries regarding sustainability activities, which may be a reason for why the Baltic respondents are more positive and have a higher trust to the sustainability analysis than the Swedish respondents.

Swedbank's HQ have successfully transferred the sustainability analysis to all home markets. All subsidiaries are using the analysis and understand the importance of sustainability. It can, therefore, be argued that the Baltic subsidiaries have adapted to Swedbank's HQ, more than the subsidiaries have adapted to the local society. This is in line with Kostova and Roth (2002), who argue that if the parent organization is powerful, there is a lower pressure on the subsidiary to adapt to the local society.

5.4 Regulations and its influence on sustainability practices

DiMaggio and Powell (1983) state that organizations often experience institutional pressures due to legitimacy reasons. Legal systems are often nation specific (Rosenweig & Singh, 1991)

and organizations need to adapt to these rules and regulations in order to be legitimate in markets where they operate (Kostova & Roth, 2002). However, there are no specific national laws regarding sustainable lending which Swedbank need to adjust to. Pressures the subsidiaries experience are instead from Swedbank's HQ, regarding the sustainability analysis. Additionally, organizations, such as EU and non-governmental organizations pressure Swedbank to act more sustainable. These pressures are therefore the same in the whole organization.

Companies that operate in the same environment often become similar to each other, since they are adapting to the local market in order to gain legitimacy (Dimaggio & Powell, 1983). Since Swedbank's subsidiaries primarily need to follow the HQ directives regarding sustainable lending, rather than national laws, it can be argued that the Baltic subsidiaries may be more isomorphic with Swedbank's HQ and subsidiaries in Sweden rather than with local organizations. Since the Swedish subsidiaries and the HQ are operating the same environment, it is not possible to determine if the subsidiaries are similar to the HQ or local organizations. This could be an advantage for Swedbank's HQ since the Baltic subsidiaries do not experience a dual institutional pressure. As a consequence, no conflicts of interests may occur between the HQ and national laws. Although there are no national laws regarding sustainable lending, there are still other national laws that Swedbank's client's needs to consider. As a consequence, Swedbank indirectly needs to acknowledge these laws and make sure that these are followed.

5.4.1 Lower sustainability requirements for SMEs than for MNEs

According to Spence, Gherib, and Biwole (2008), SMEs has been acknowledged as a large contributor to pollution. However, today there are low requirements and regulations placed on SMEs from a sustainability point of view (Equator Principles, 2013). This can also be supported by the respondents since the sustainability analysis only is required for exposure above 0,8 million euro. This indicates that SMEs more often eluding these requirements. According to the European Commission (2012), this poses a problem, since 99 percent of all businesses in the European Union are SMEs. Due to the large amount of SMEs, they further argue that nearly 64 percent of the total industry pollution was caused by SMEs in 2012 (European Commission, 2012). According to Aragon-Correa et al. (2008), SMEs has not received much attention regarding environmental issues since they are not as public as MNEs. Consequently, SMEs have to a large extent been ignored and their impact has been neglected

(Aragon-Correa et al., 2008; Buban-Litic, 2008). Similarities can be found in Swedbank's policy regarding the sustainability analysis. For exposure below 0,8 million euro, it is voluntary for the subsidiaries to implement the sustainability analysis. However, the majority of the subsidiaries prefer to undertake a smaller screening process instead. The downside with this screening process is the lack of consequences for the client with an inadequate sustainability profile. In some cases, Swedbank may provide suggestions for improvements, but in the end, there is up to the client to change and implement these actions. Although the risks for an individual SME is low, a large number of SMEs with defective sustainability policies may constitute a major financial risk for the bank.

5.5 Combined points of analysis

The main findings regarding institutional and relational differences are visualized in Table 4. In order to make it easier to compare Swedbank's different business areas, Estonia, Latvia, and Lithuania are referred as Baltics in Table 4. In general, no major institutional and relational differences could be found between the different subsidiaries. This could be explained by the geographic proximity between the HQ and the subsidiaries, as well as Sweden, Estonia, Latvia, and Lithuania are considered as Swedbank's home markets. However, some relational differences could be found between the two business areas. Regarding the trust in the HQ, the Swedish respondents have a more critical view of the sustainability analysis, in comparison to the Baltic respondents. The Swedish respondents believe today's sustainability analysis is too wide and too general and questioning the social and environmental contribution to the society. The majority of the focus considers financial sustainability and the social and environmental sustainability is to a large extent neglected. However, the high focus on financial sustainability could be seen as natural, since long-term financial sustainability is the essence of the banking industry. Furthermore, financial sustainability is the sustainability aspect the employees consider most comfortable. Financial sustainability is a major part of the daily work and is the sustainability area the employees have the most knowledge within. Since the Baltic respondents consider Sweden as a predecessor regarding sustainability, the respondents trust in the HQ's expertise, and may therefore not be as critical to the sustainability analysis.

Regarding institutional differences, some differences could be found regarding normative and cognitive aspects. However, regarding the regulative aspects, no differences could be found between the subsidiaries. Currently, there exists no laws or regulations regarding sustainable

lending in none of the home markets. Concerning normative and cognitive differences, both the Swedish and Baltic respondents perceive difficulties regarding how to evaluate the client. The Swedish respondents argue it is hard to decide how deep the investigation of the client should be in order to obtain a correct evaluation of the client, i.e. when the client should be approved or rejected. On the other hand, the Baltic respondents rather believe it is problematic and time-consuming to find all relevant information about the client, particularly from international organizations and local start-ups. With this in mind, the individual knowledge among the employees regarding sustainability is particularly vital for the quality of the sustainability analysis. The Swedish respondents identify more opportunities for improvements than the Baltic respondents. This may be explained by a higher focus on sustainability issues in the Swedish business culture and national environment than in the Baltics.

Table 4: Combined points of analysis.

		The Swedish subsidiaries	The Baltic subsidiaries*	Combined points
Relational Aspects	Identification	<ul style="list-style-type: none"> * High identification with the HQ. * Same structure of the sustainability analysis. 	<ul style="list-style-type: none"> * High identification with the HQ. * Same structure of the sustainability analysis. 	<ul style="list-style-type: none"> * The level of identification with the HQ is high in all home markets. * The sustainable lending process, as well as values and beliefs are similar in all home markets. Implementation of new practices is thus facilitated.
	Dependence	<ul style="list-style-type: none"> * The level of dependence is based on the amount of exposure to the client. * Positive attitude to adopt practices implemented by the HQ. 	<ul style="list-style-type: none"> * The level of dependence is based on the amount of exposure to the client. * Positive attitude to adopt practices implemented by the HQ. 	<ul style="list-style-type: none"> * The level of dependence to the HQ is similar in all home markets. * All respondents have a positive attitude towards implemented sustainability practices, which facilitates the transfer of practice from the HQ to the subsidiaries.
	Trust	<ul style="list-style-type: none"> * High trust in the HQ. However, the respondents have a slightly critical view of the sustainability analysis. The analysis is today too wide and general. * The HQ should deeper explain why new practices are implemented. 	<ul style="list-style-type: none"> * High trust in the HQ and believe the HQ are making relevant decisions for the whole organization. 	<ul style="list-style-type: none"> * All subsidiaries have a high trust in the HQ, which reduce the cost of negotiation. * The Swedish respondents have a more critical view towards the sustainability analysis in relation to the Baltic respondents. * The Baltic respondents have a high trust in the HQ's expertise regarding sustainability and therefore have no reason to be critical.
Institutional Aspects	Normative	<ul style="list-style-type: none"> * Consider sustainability to be important. Today, financial sustainability receives most attention. * Social and environmental sustainability need more consideration. * Hard to decide how deeply the client should be investigated. It is extremely rare that the client is rejected by the sustainability analysis. * The creditors own knowledge is seen as important. 	<ul style="list-style-type: none"> * Consider sustainability to be important. Hard to find relevant information about the client. * It is extremely rare that the client is rejected by the sustainability analysis. * The creditors own knowledge is seen as important. 	<ul style="list-style-type: none"> * All respondents consider sustainability to be important. However, financial sustainability has the highest priority. * The Baltic respondents critic to the sustainability analysis is regarding how to find relevant information about the client, while the Swedish respondents rather find it difficult to know how deep to investigate the client. * The quality of the analysis is highly dependent on the creditors own knowledge within sustainability.
	Cognitive	<ul style="list-style-type: none"> * Sustainability is seen as natural part in the daily work at Swedbank. * The Swedish respondents are critical to the actual contribution to the society of Swedbank's sustainability analysis. 	<ul style="list-style-type: none"> * Sustainability is seen as natural part in the daily work at Swedbank. 	<ul style="list-style-type: none"> * All subsidiaries understand the importance of sustainability. However, the Swedish respondents have a more favorable cognitive understanding about sustainability than the Baltic subsidiaries since they to a larger extent identifies faults and defects with today's model.
	Regulative	<ul style="list-style-type: none"> * No specific national laws regarding sustainable lending. However, need to consider the client's laws and regulations. 	<ul style="list-style-type: none"> * No specific national laws regarding sustainable lending. However, need to consider the client's laws and regulations. 	<ul style="list-style-type: none"> * Since the subsidiaries primarily need to follow the HQ's directives regarding sustainable lending, the Baltic subsidiaries may be more isomorphic with Swedbank's HQ rather than with local organizations. * Since the Swedish subsidiaries and the HQ are operating the same environment, the regulative aspect is seen as independent.

* In order to make it easier to compare Swedbank's different business areas, Estonia, Latvia, and Lithuania are referred as Baltics in Table 4.

Overall, the subsidiaries are considered to have a high identification, dependence, and trust in the HQ. All subsidiaries follow the same lending procedure implemented by the HQ and have

the same values and beliefs. As a consequence, decisions implemented by the HQ are considered as legitimate and trustworthy among the subsidiaries. Despite different geographical locations among the subsidiaries, the HQ has successfully managed to implement a common view and management of the sustainability analysis in the different institutional contexts. Arguably, the implementation of the sustainability analysis may have been facilitated by the subsidiaries favorable relational connection to the HQ.

To summarize, it is arguable that Swedbank's sustainability analysis is fully institutionalized in the subsidiaries. In line with Tolbert and Zucker (1996), the sustainability analysis has gained acceptance and is now taken for granted by the employees. This indicates that Swedbank's activities are well integrated into the whole organization and the sustainability analysis is seen as necessary by the subsidiaries and a natural part of the lending procedure. Furthermore, it can be assumed that the practices have been implemented in a combination of a coercive and mimetic isomorphism. Since the subsidiaries have a relatively high dependence and identification with the HQ, the activities are to some extent enforced by the parent organization. On the other hand, the subsidiaries have a high trust in the HQ and believe they are making relevant decisions. Therefore, the subsidiaries may perceive it as natural and positive to implement initiatives from the parent organization.

6. Conclusion and Recommendations

The concluding chapter aims to answer the thesis research question and purpose. The most important conclusions will be presented, as well as theoretical contributions. Lastly, managerial implementations and suggested areas for future research will be presented.

6.1 Conclusion and Theoretical contributions

The purpose of this study is to create an understanding of how an international bank is affected by institutional and relational differences, with focus on CSR and lending practices. More specifically, this thesis examines the research question: *How do Institutional and Relational differences affect an International Bank's view and management of CSR in relation to lending practices?* This study contributes to existing literature by adding a new dimension to the theory regarding how institutional and relational differences affect the view and management of CSR in relation to lending practices, also referred as sustainable lending. Today, there is a lack of research that connects these topics. However, in this research, limited institutional and relational differences could be found between Swedbank's home markets. Limited differences could be found regarding identification, dependence, and regulations, while some differences could be found regarding trust, normative and cognitive aspects.

The subsidiaries relation to the HQ is an aspect that may affect the subsidiaries view and management of CSR is the relation to lending practices. Independently of the subsidiaries' institutional context, i.e. the subsidiaries geographical position, all subsidiaries have a positive relation to the parent organization. In short, the subsidiaries view themselves as an entity with the HQ and are positive to decisions and guidelines made by the HQ. All subsidiaries believe the sustainability analysis is important and is seen as a natural part of the daily operations. This positive attitude towards the HQ facilitates the management of CSR in relation to lending practices and the implementation of new policies. Furthermore, this increases the probability for a common practice, regarding CSR, in the whole organization. Hence, a first theoretical contribution from this research considers the relationship between the subsidiaries and the HQ. A strong relationship between the subsidiaries and the HQ may both contribute to a more positive view and facilitate implementation of new practices, which otherwise could be problematic due to institutional differences.

One of the institutional aspects considered in this report is regulation. Since sustainable lending is a new research area, there is currently a lack of laws and regulations. Independently of the subsidiaries geographical position, no regulative differences could be found. Therefore, the regulative institutional aspect may be out of consideration regarding sustainable lending. Instead, the internal regulation and directives from Swedbank's HQ are given full attention among the subsidiaries. The lack of national laws regarding sustainable lending may be one explanation for the existence of only one organizational-wide sustainability analysis. In turn, this may be an important contributor to decreased institutional differences between the subsidiaries and the HQ. Consequently, the Baltic subsidiaries may be more isomorphic with Swedbank's HQ and subsidiaries in Sweden, rather than with local organizations. Since the Swedish subsidiaries and the HQ are operating in the same environment, the regulative aspect may be seen as independent. This leads to the second theoretical contribution, which indicates that a lack of national laws reduces the effect of institutional differences and allows foreign subsidiaries to become more isomorphic with the parent organization.

Overall, the analysis process itself does not significantly differ between the subsidiaries. The analysis process is identical in all home markets and all employees need to ask the same questions to the clients. Common for all subsidiaries, it is extremely rare that clients are rejected after being reviewed by the sustainability analysis, and the actual societal contribution with the analysis could, therefore, be debated. Differences among the subsidiaries have been identified regarding the view and actual contribution to the society. The Swedish respondents have in general a more critical view towards the value added to the society through the sustainability analysis, while the Baltic respondents have a highly positive view of the analysis. The critique towards the sustainability analysis is based on the dominant focus on financial sustainability. The social and environmental aspects are, according to the Swedish respondents, not thoroughly considered. This may be due to the essence of financial sustainability in the banking industry, as well as high level of knowledge within financial sustainability among the employees. The Baltic respondents' positive perception of the sustainability analysis could be explained by their view of the HQ as a predecessor regarding social and environmental sustainability. Therefore, the Baltic respondents may believe the HQ is making relevant decisions for the whole organization. As a consequence, the Baltic respondents may not have any reason to be critical against implemented policies from the HQ. This leads to the third theoretical contribution, which implies that if the subsidiary considers

the HQ to have a higher knowledge within a specific subject, the level of trust in the HQ will increase, during the same time, as the critical view will decrease.

Differences could also be found regarding normative and cognitive aspects concerning CSR in relation to lending practices. Since normative factors concern the individual's own knowledge, values and beliefs, the individual employee have an important impact on the quality of the sustainability analysis. Common for all respondents, the employees' interest and knowledge within sustainability have the greatest influence on the quality of the sustainability analysis. This may be explained by lack of laws and regulations within sustainable lending. However, even though Swedbank has a policy for sustainable lending, the employees still need to make their own decisions regarding how extensive the investigation of the client should be. All respondents believe sustainability is important, however, the financial sustainability is the aspect that attracts the most attention. This may be due to the fact that financial sustainability is an essential part of the banking industry, and thereof something the employees are comfortable and familiar with. Therefore, it could be seen as natural that social and environmental sustainability are gaining less attention. Another reason for less attention regarding social and environmental sustainability may be insufficient education within these areas. As a consequence, the individual employee's own knowledge is essential in order to evaluate the client, which in turn may lead to unequal quality of the sustainability analysis with regard to normative factors. Personal interest is another normative factor that has been acknowledged as a major impact on the quality of the sustainability analysis and how deep to investigate the client. Due to the lack of laws and regulations, emphasis may be transferred to the employees to take responsibility. It is also seen that the local manager is an important driving force towards sustainability engagement at the subsidiary. If the local manager has a positive attitude towards sustainability, the employees may more likely evaluate social and sustainability risks more thoroughly. This leads to the fourth contribution, which implies if the individual employee has a high level of knowledge and interest regarding sustainability, the employee may more likely have a positive attitude towards the sustainability analysis and more thoroughly evaluate the client's social and environmental risks.

Lastly, differences could be found regarding the subsidiaries' cognitive understanding of sustainability. Common for all respondents, the importance of sustainability is seen as high. However, the Swedish respondents emphasize the sustainability analysis lack of actual contribution to the society. Currently, it is extremely rare that clients are rejected by the

sustainability analysis, and the Swedish respondents are convinced that a more deep and comprehensive analysis could contribute to increased social and environmental improvements in the society. Similar to Sweden, it is extremely rare that clients are rejected also in the Baltic subsidiaries. However, the Baltic respondents do not emphasize these low numbers as problematic. The cognitive differences between the Swedish and Baltic subsidiaries may be explained by the growing involvement of sustainability in organizations and in the social debate in Sweden. The majority of the Swedish organizations are experiencing an increased pressure from its customers to take sustainability issues into consideration. As argued by the respondents, the Baltic nations are not as far ahead regarding sustainability in comparison to Sweden. This leads to the fifth theoretical contribution, which implies the more knowledge the subsidiary has within one specific subject, the more critique and feedback the subsidiary may have towards practices within that subject.

6.2 Managerial Implications

Managerial implications identified in the report, which could facilitate the management of institutional and relational differences in relation to sustainable lending. First, the HQ would implement a mandatory and more comprehensive education specific to sustainability and sustainable lending. This would lead to an increased and equal quality among all subsidiaries, regarding the sustainability evaluation of the clients. Since financial sustainability is the main expertise within the banking industry, one possible solution may be to consult external expertise within social and environmental sustainability. Second, the analysis should be developed to cover all organizations, i.e. to include clients with exposure below 0.8 million euro. The theory indicates that SMEs, due to its large percentage share of the total amount of organizations, represents the highest environmental impact. Today's sustainability analysis mostly focuses on financial risk, which mainly considers MNEs. However, in order to a larger extent include social and environmental risks, SMEs needs to be taken into consideration. Third, to be able to insert high requirements on its employees, the organization also need to make sure to maintain a clear purpose and contribution to the society. The employees' needs to be convinced that efforts put on this analysis will lead to a positive return to the society.

6.3 Future research

Since the research area in this field is relatively unexplored, the study has contributed to fill some gaps in the research field. However, the area still needs further exploration. A recommendation is to conduct more studies within the areas of institutional theory, relational

context and sustainable lending. Additionally, further research could include subsidiaries with a more diverse cultural background, in order to explore the magnitude of different cultures. Another interesting aspect would be to investigate different classifications of risks within sustainable lending. In other words, what clients that are considered as a high, respective low risk, in a long-term perspective.

An interesting research area would be to investigate institutional and relational differences and CSR within other industries, which have a more direct impact on the environment. In other words, where implementation of new sustainability practices would affect the company itself. Furthermore, another interesting area would be to explore the possibilities of sustainable lending and potential benefits to the society as well as to the organization.

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Appendix

Appendix 1: Interview questions to the subsidiaries

Background information

1. Name
2. Age
3. Nationality
4. What is your position in the company?
5. How many years have you worked here?
6. What are your daily responsibilities?

Institutional Theory

Regulative elements (laws)

1. Are there any national laws regarding sustainable lending?
2. Are there any directives regarding sustainable lending from Swedbank's headquarter?

Cognitive elements (shared social knowledge - how you should behave in the organization)

1. What is the overall perception of sustainability at your office (subsidiary)?
2. Are sustainable lending seen as something important and valuable for your office (subsidiary)?

Normative components (norms and values - personally opinion)

1. What is your educational background and previous work experience?
2. What is your personal view of sustainability and sustainable lending?

Relational Theory

Dependence

1. Does your department (subsidiary) make decisions by itself or are you mostly following directives from the headquarter? Are decisions made in consensus or individually in the subsidiary?
2. Do you report to the headquarter? If yes, what kind of information do you need to report?

Trust

1. Do you think the headquarter are making relevant decisions for the whole organization?
2. Do you think you get enough support and knowledge from the headquarter in order to implement sustainable solutions and actions in the organization?

Identification

1. Do you think your activities in this location/office is similar to the activities at the headquarter?
2. Do you feel a tight relationship to the headquarter? Same organizational values, beliefs and objectives?

Sustainable lending

1. How would you describe sustainability to be prioritized in relation to your other tasks?
2. How have you gained your knowledge about sustainability? Personal interest? Training at the company? Education?
3. How does the procedure for sustainability lending activities looks like today? Can you guide us through a normal lending case, and give us a detailed description of how you perform each step and activity, for corporate clients where the bank has exposure below and above 0,8 million Euro?
4. Are there any questions or steps in today's sustainability analysis, for corporate clients where the bank has exposure below and above 0,8 million Euro, that you find complicated?
5. What kind of information is important to gather in order to make a sustainability analysis of the borrower?

Appendix 2: Interview questions Head of Group Sustainability

Institutionell Teori

Regulativa bestämmelser (Lagar)

1. Finns det några nationella lagar gällande hållbar utlåning och skiljer de sig mellan länderna?

Kognitiva element (Uppfattningar gällande hur man beter sig i organisationen)

1. Vad är den generella uppfattningen om hållbarhet i Swedbank?

Relationsteori

Beroende

1. Hur mycket styrs centralt gällande hållbar kreditgivning? Finns det utrymme för lokala kontor att fatta egna beslut?
2. Följer ni upp om kontoren efterlever era riktlinjer?

Tillit

1. Tar ni hänsyn till regionala skillnader när ni sätter era riktlinjer för Swedbank?
2. Ger ni support till era kontor för att de ska kunna implementera riktlinjerna?

Hållbar kreditgivning

1. Vilka är direktiven för processen gällande hållbar kreditgivning? Kan du guida oss genom ett vanligt kreditgivningsfall och ge en detaljerad beskrivning hur varje steg bör genomföras, för företagsklienter där banken har exponering under och över 0,8 miljoner euro?
2. Har ni några direktiv/tillvägagångssätt för olika sektorer?
3. Vad för typ av frågor är viktiga att besvara för att kunna göra en hållbarhetsanalys?
4. Vilka frågor skall besvaras i hållbarhetsanalysen?
5. För vilka företag ska en hållbarhetsanalys göras?