

# The Value of Social Sustainability

The relation between social corporate sustainability performance and corporate financial performance in the Swedish mining and metal- and steel-production industries



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## Abstract

In this thesis a qualitative analysis of how companies' representative of the Swedish mining, steel, and metal industries view social sustainability in terms of its ability to generate financial benefits. The results indicate that all of the analysed companies view social sustainability as value creating. While end-state metrics are attributed to environmental sustainability, the value of social sustainability can be seen in mediating metrics in the form of, for example, employee turnover or in some cases as cost-reducing intermediating metrics. We conclude that the strategic value of social sustainability can be primarily categorized into the four themes: employee attraction and retention, improved decision making, credibility to customers and the social license to operate, and as part of the entirety of corporate sustainability. We also find that the primary drivers for social sustainability performance are not driven by profit but rather the intrinsic values of the companies. Furthermore, we show that the strategic value of social sustainability, as stated by the companies, can be further motivated by their capacity for creating competitive advantage in light of the theoretical frameworks, the Resource-Based View of the firm and Stakeholder theory.

Firstly, we would like to thank Marta our supervisor for her guidance and unput.  
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Key words; Resource-based view, stakeholder theory, sustainability, social sustainability, metal and steel industry, mining, intangible assets.

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## Introduction

The corporate sustainability (CS) and corporate financial performance (CFP) relation have been extensively studied during the last 20 years. Although several researchers have found a generally positive relationship between corporate sustainability and corporate performance (Barnett and Salomon, 2012; Orlitzky, 2003; Dixon-Fowler, 2012 ; Gössling and van Beurden 2008;). However, the inconclusive results regarding what factors determine this positive relationship indicates that the “black box” constituting the internal mechanisms for when sustainability pays remains closed. The causality between corporate sustainability and financial performance is further elaborated by Epstein and Bohovac (2014). The authors present the “corporate sustainability model” in which they present the process of corporate sustainability in a company and the four elements (inputs, processes, outputs, and outcomes) that shape it. The first two elements consist of outer aspects such as the regulatory environment, inner aspects such as company values and strategy, and the processes and actions that take place as a result of the strategy. These elements thereby shape the foundation and execution of the sustainability strategy, while the third and fourth elements present the effects and results of the strategy in the form of the direct outputs of the sustainability actions and the financial outcomes. The process is rather intuitive when it comes to environmental sustainability. For example, by valuing environmental sustainability companies may improve the efficiency of resource use and thereby, by using less natural capital, financial capital used in production can be saved. The results of such efforts are also rather simple to measure and communicate to various stakeholders, giving the company the opportunity to market themselves as sustainable and thereby attract conscientious customers, as well as future employees. However, the causality between the outputs from processes driven by *social* sustainability and financial outcomes are harder to identify.

# 1. Background

## 1.1 History of sustainability in business research

Corporate social responsibility (CSR) has been an important part of the business environment for some time. The book *Social Responsibilities of the Businessman*, from 1953 by Howard R. Bowen is one of the earlier and more substantial academic efforts regarding the subject of corporate responsibility and accompanying concepts. In his book, Bowen defined the social responsibility of managers as, “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”. Progress in the 60s and 70s paved the way for more implementation-oriented academic research during the 80s. During this decade, the term “stakeholder” became common and stakeholder theory became a subject of interest. The interest of CSR continued to increase during the 90s when both the concept and the potential strategic benefits were investigated and further developed, one example being the influence of the Resource-Based View of the firm (RBV) by Barney (1991). The scientific output on the strategic capabilities of CSR further increased during the following decades. The last 20 years have seen the development of concepts regarding Strategic CSR (SCSR) in general, a concept exemplified by “Shared Value” as described by Porter and Kramer (2011). It can be argued that during the 00s and 2010s, corporate sustainability has made the definitive leap from the field of philanthropy<sup>1</sup> to that of business strategy and is now often addressed as a source of competitive advantage. (Agudélo et al. 2019)

## 1.2 The Corporate Sustainability - Corporate Financial Performance relationship

While no unconditional business case for sustainability has been made, much research has been focused on finding a universal relationship that can explain when CS and CFP are positively related. So far, no such relationship has been discovered. In a 2017 meta-analysis by Grewatsch et al.(2017) literature on the moderators (what alleviates and reinforces the CS-CFP relationship) and mediators (by what means CS is influencing CFP), of the CS – CFP relationship was reviewed and analysed. The authors summarized literature on the wide variety of various factors that had been used to address the CS – CFP relation and categorized the factors as internal and external moderators and mediators.

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<sup>1</sup> “Philanthropy, voluntary, organized efforts intended for socially useful purposes” (Britannica, 2020)

Grewatsch et al. (2017) found that firm size appeared to have a negative moderating effect, as larger firms are often less flexible and agile as smaller firms and thereby are not as effective in adapting to external pressures. They also found that long-term sustainability efforts correlated to financial benefits, indicating that CS is not an immediately financially beneficial investment. Furthermore, the authors found that it appears more beneficial to adopt a proactive sustainability strategy and align the business to growing sustainability concerns rather than existing laws and regulations. The external factors were categorised into three moderating categories: *stakeholder relationship*, *industry characteristics*, and the *business environment*. The literature shows that a positive correlation appears when the CS generates legitimacy, which occurs when the sustainability efforts are adopted to relevant stakeholders. The degree of legitimacy gained from CS is dependent on the external environment in which the organization exists and there does not seem to exist any “universal business case for sustainability”, according to the authors. Therefore, depending on the industry and business environment, different sustainability efforts will be beneficial in terms of corporate performance. In polluting industries, the actors often face a higher degree of scrutiny from the media as well as increased pressure from stakeholders. The marginal benefit of the sustainability efforts is therefore higher in polluting industries than “clean” industries such as banking or IT, and the CS – CFP link is stronger. (Grewatsch, 2017)

Grewatsch et al. (2017) categorized the internal mediating factors as *the intangible resources and capabilities*, and the external factors as *stakeholder response*. The research on mediators, both internal and external, are still in its infancy, why only two definitive concepts were found. However, previous research has indicated that a firm's intangible assets and capabilities, which can be developed by engagement in CS activities (stakeholder dialogue and product stewardship etc.). This may result in a competitive advantage and by extension, improved financial performance. Stakeholder response, defined as the “assessment, attitude, and action towards a firm’s CS-actions”, is categorized as an external mediator and builds from stakeholder theory as originally conceptualised by Freeman in 1984. A deciding factor for whether or not stakeholder response becomes mediating in the CS - CFP relationship is the degree of perceived legitimacy of a firm's CS activities. To appear legitimate the CS must be related to the general area of the business and not appear opportunistic or self-serving. By disclosing the CS activities firms may reduce information asymmetry between stakeholders and the firm and provide an image of honesty, quality, and reliability, which by extension improves financial performance (Grewatsch et al. 2017).

The inconclusive results regarding the business case of sustainability are not surprising given the high variety in legal, regulatory, cultural, and geographic environment firms are active in, as well as the different stakeholders firms are affected by. Given the apparent difficulty in finding a definitive answer to whether or not it pays to be sustainable, researchers should direct their focus to increase the understanding of why some CS efforts result in improved corporate financial performance and why some become financial losses (Grewatsch et al. 2017).

### 1.3 The social aspect of sustainability

ESG (environmental, social, and governance) is a widely used concept for defining corporate sustainability by organizations. The purpose of ESG is to identify areas of importance in regards to the environment, society, and corporate governance and behaviour. The “social” part of ESG incorporates the topics: human capital (relates to labour issues), product liability, stakeholder opposition, and social opportunities (MSCI, n.d).

Complimentary to ESG the Global Reporting Initiative (GRI) is a set of reporting standards that an organization can use for reporting its economic, environmental and social impact, that is, produce a sustainability report. When constructing a sustainability report, the GRI-standards are guidelines for deciding: primary stakeholders, the sustainability context, materiality, and completeness. The sustainability context refers to the organization’s impact on sustainability in a local, regional and global context. Regarding “materiality”, in order for a sustainability topic to be considered material it should be impacted by the organization's activities, and it should also be influential on the assessments and decisions of stakeholders. In order to decide which topics are material the organization may conduct a materiality analysis, which often takes the form of a table where one variable is a sustainability topic's influence on stakeholders and another the organizations impact upon the topic. Completeness refers to the report as a whole and that the topics presented in it should be material, its boundaries clearly stated, and the impact of the organization clearly stated. According to the GRI-standards the sustainability topics are divided into three main groups: economic, environmental, and social. A difference between the GRI categorization and ESG is that diversity and compliance is considered a governance issue in ESG is considered a social issue according to GRI. (GRI, 2020).

Dyllick and Hockerts (2002) relate corporate sustainability to three types of capital: economic, natural and social. By responsibly managing these capitals, a firm may be considered to act



sustainable. To be socially sustainable the company must manage two types of *social capital*: human and social capital. Human capital concerns skills, motivation, and loyalty of employees and business partners, and social capital concerns the quality of public service, which may include good educational systems, infrastructure, or a culture supportive of entrepreneurship. To be socially sustainable the company must add value to the communities in which it operates by increasing human and societal capital for employees, business partners, and the community. It manages its social capital in such a way that is understandable for the majority of the stakeholders, and they can overall agree with the company's values. Furthermore, the authors address the non-substitutability of capital, although they state that short term substitutions can be made by, for example, exchanging working conditions with higher pay. However, in the long term “no company can thrive in a socially underdeveloped community” (Dyllick and Hockerts, 2002).

## 2. Problem discussion

### 2.1 The problem for practitioners

The profitability in sustainability is arguably most intuitively found in from factors regarding environmental aspects of sustainability. However, in the case of social sustainability, the benefits are often more indirect, for example increased production from a better working environment, and are therefore more difficult to identify its effect on the bottom-line of the income statement than, for example, increasingly efficient resource use. By underestimating or having a limited understanding of the potential financial benefits of social sustainability, the long-term financial performance of companies may as a result be sub-optimal. The risk of neglecting social sustainability may be bigger if the industry in which a company operates is more scrutinized based on one aspect of sustainability than another. One example of such an industry where sustainability is mainly expressed in environmental terms is the mining and metal- and steel-production industries (henceforth, “process industry”). Companies operating in heavy industries such as the process industry are more scrutinized from environmental perspectives than companies working in, for example, IT (Grewatsch et al. 2017). Research has also shown that it “pays to be green”, especially for polluting firms in countries with a strong regulatory environment (Dixon-Fowler 2012). Two characteristics that are applicable to the process industry in Sweden. Given this background it appears likely that environmental efforts are viewed as strategically valuable for companies in the Swedish process industry. However,

does this imply that other, social, aspects of sustainability are not viewed in the same manner?

By analysing an aspect of sustainability that is not primarily viewed as a source of financial performance, the findings may contribute to an increased understanding of the strategic value of corporate sustainability depending on industry characteristics. This has implications for how managers should formulate the corporate sustainability strategy in order to maximize its strategic value. The report may also provide insight to the philanthropic drivers of CS by analysing the effort companies make to ensure sufficient performance in corporate sustainability within a field that does not contribute to financial performance. If the empirical research presents that no causality between CSP and CFP is acknowledged by the interviewed companies, we may conclude that there is a degree of voluntary, philanthropically motivated corporate sustainability. This insight may be valuable for lawmakers since it highlights the degree of internal utilitarian values of corporations and thereby provides a notion to the need of external regulation required to motivate corporate sustainability.

## 2.2 The research gap

The relation between CSR and financial performance is, as stated earlier, thoroughly researched. However, the link between social sustainability and financial performance is not as explicitly described as the environmental aspect. Having a stakeholder perspective gives a more nuanced image of the correlation between CSR and financial performance, and the creation and subsequent financial benefits of resources generating competitive advantage according to the resource-based view further makes the business case for sustainability. However, more specific research on the causality of social sustainability and corporate financial performance is lacking in business research. This relationship also appears less addressed by companies than its environmental counterpart, especially in industries that are not traditionally associated with social sustainability, for example the process industry.

With this qualitative research paper, the authors aim to contribute to a greater understanding of the extent to which companies measure and attribute strategic value to social sustainability. By addressing social sustainability in particular we hope to continue the shift in academia from questioning *whether* sustainability contributes to financial performance, towards *what and how* sustainability contributes to financial performance.

## 3. Purpose and research question

### 3.1 Purpose

The purpose of this essay is to contribute to a better understanding of the strategic importance of corporate social sustainability performance in relation to financial performance in the Swedish process industry.

### 3.2 Research question

In order to give answer to the purpose the following questions will be answered

- How do companies from the Swedish process industry, operating in mining and steel production, address social sustainability in regard to its potential as enhancing corporate financial performance?
- Is any causality to CFP acknowledged?
- If the companies are not convinced that there is any causality, how and why have they come to this conclusion?

### 3.3 Delimitations

To answer our research questions and fulfill our purpose during the allotted time (ca. 10 weeks) and in the form of a bachelor thesis, we have delimited our research to large actors from the Swedish process industry. Furthermore, we will only observe the social aspect of sustainability and also choose interview subjects that work with sustainability issues rather than strictly financial issues. This selection has been made to ensure that the material is not overwhelming in an analytical perspective and is suitable for the limited number of pages (40) this thesis should not exceed.

## 4. Theoretical framework

*In this section the theoretical framework will be presented, explaining the key concepts and the previous research on the subject of the ability of corporate sustainability potential for enhancing financial performance.*

The academic literature focusing on the business case for sustainability is extensive. The following part presents the previous literature on social sustainability, the general link between

CS and CFP, and the definitions and quantification of the two concepts. The central theories that are used to address the relation between sustainability and corporate financial performance are Stakeholder Theory and the Resource-Based View, why we will analyse these concepts further in our literature review.

#### 4.1 Stakeholder Theory

The concept “stakeholder theory” was notably first developed by Freeman in 1984. Stakeholder theory argues that a firm has several external and internal actors (stakeholders) who are affected by and have some interest in the organization, and the better the organization manages the relationships with the various stakeholders the more successful they will be in the long run. By having good relationships with important stakeholders, companies can gain competitive advantage (Barnett and Salomon, 2012)

The concept of stakeholders has been a subject of interest for understanding the correlation between sustainability (social and environmental) and financial performance in past research. Barnett and Salomon (2012) investigated this relationship by analysing the correlation between CFP in the form of return on assets (ROA) and corporate sustainability performance (CSP). The CSP in this study was decided by KLD-rating, which incorporates social sustainability factors (corporate governance, community relations, diversity, employee relations, human rights) as well as environmental performance. The authors concluded that the relationship between CSP and CFP, with CSP as the independent variable, was curvilinear in a U-shape. That is, companies with poor CSP tended to have higher CFP than those with moderate CSP, however, as companies had better CSP (above average in this study) the CFP increased and became better than the companies performing poorly. The authors attributed this relation to the *stakeholder influence capacity* (SIC), which was described as the level of credibility stakeholders attribute to the company as sustainable actors. The companies with a high level of SIC were considered credible in their sustainability efforts and therefore they were “rewarded”, while companies with low SIC were not considered credible and thus, their sustainability efforts did not result in an increase in ROA (Barnett and Salomon, 2012).

#### 4.2 Resource-based view – theory

What sets companies apart are their unique set of resources and how they choose to utilize them. In the model of *Resource-based view* Barney (1991) brought up the competitive advantage companies can gain from firm resources and capabilities when they possess the four indicators:

value, rareness, (in-)imitability, and (non-)substitutability. These company assets (resources) can be either *tangible* or *intangible* and are essential tools for enhancing competitive advantage and financial performance. Tangible assets are physical resources that the company possesses. Machines, buildings, cash and land are examples of tangible assets. Intangible assets are non-physical resources such as intellectual competence, know-how, reputation and patents. Tangible assets are easy for competitors to imitate or acquire and therefore offer only limited competitive advantages, since all companies could potentially obtain the same tangible resources. Intangible assets are very difficult and expensive to replicate because they are unique to every organization and have been attained over long periods of time. Therefore, intangible assets offer the greatest potential for competitive advantage that can also be sustained. (Barney, 1991).

### 4.3 Virtuous Circles

In the article *Corporate responsibility and financial performance*, Surroca, Tribó and Waddock (2010) make a distinction between corporate social responsibility (CSR) and what they refer to as corporate responsibility performance (CRP). CSR being the discretionary responsibilities, voluntary commitments to sustainability beyond what is mandated by laws and regulations, of a company while CRP is a theory implying that responsibilities are an essential part of corporate actions, decisions, behaviours and impacts. Further they describe that the intangible resources of a firm functions as intermediaries between corporate financial performance (CFP) and corporate responsibility performance (CRP). In this model the intangible resources of a firm are studied in the form of innovation, human resources, reputation and organizational culture. CRP is an organizational capability that can lead to the creation of new intangible resources that in turn enhance financial performance or competitive advantage. Likewise, the enhanced CFP must then be invested back into intangibles to further advance the CRP. This indirect relationship between CRP and CFP is called the *virtuous circle* (figure 1) and is a combination of the Resource-based view, where intangibles create competitive advantages for companies, and Natural resource-based view, in which intangibles enhance the social responsibility performance of firms. (Surroca et al. 2010). Surroca et al. (2010) continue to explain that as a means to better the outcomes of social sustainability, companies must invest in programs and practices that, improve organizational culture and contribute to increased loyalty of the employees, increase the involvement of co-workers and enhance job attractiveness. Companies must also invest in technology that may boost innovation and development of their products and processes, as well as activities that build a credible reputation of the company.

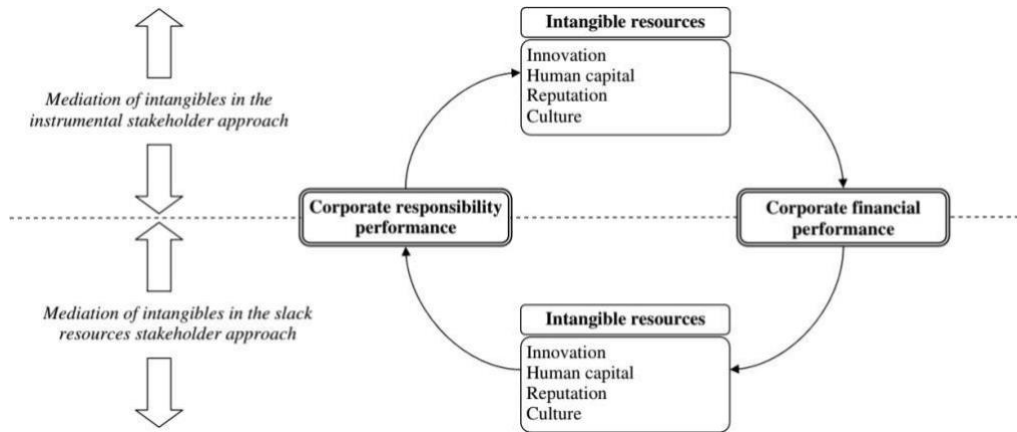


Figure 1. (The virtuous circle, Surroca et al. 2010)

#### 4.4 Measuring financial performance and sustainability performance

A first step in understanding the CS-CFP relationship is to define what the “financial performance” is that is affected by corporate sustainability performance. Orlitzky (2003) proposed three broad groups of economic performance: market-based, accounting-based, and perceptual. The market-based measures refer to the potential returns to a company's shareholders, that is, the price of a company's stock. By analysing factors like stock price, the market's response to certain activities, for example sustainability efforts is visualised. By measuring accounting-based factors such as return on assets (ROA) or return on equity (ROE), a company's internal efficiency can be analysed. Thus, accounting-based measures are beneficial in addressing internal efficiency of the firm by reflecting the internal capabilities of employees and managers, rather than market responses. By measuring perception based, for example, asking survey responders to provide subjective answers to questions regarding aspects like “soundness of financial position” or “wise use of company assets”, a firm may get an idea of the general perception of the business by the selected response group (Orlitzky, 2003).

Pelozo (2009) further addressed the issue of the financial aspect of the relationship by categorizing it into different valuation metrics. Pelozo (2009) illustrates the CS-CFP chain as consisting of four interlinked groups of metrics: CSP metrics, mediating metrics, intermediate outcome metrics, and end state outcomes.

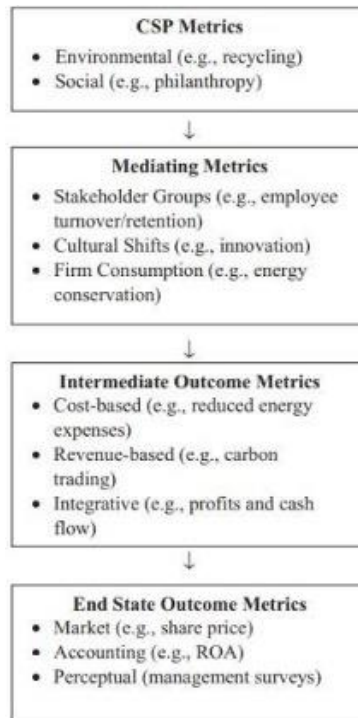


Figure 2 (Pelozo, 2009)

The categories formulated by Orlitzky (2003) are presented in the valuation chain as *end state outcomes*.

According to a meta-analysis by Lopez-Arceiz (2018) sustainability performance is generally defined in the academic literature as “the generated impact on stakeholders affected by the organization”. Furthermore, four strategies to measure social performance can be identified: (1.) social performance disclosure, (2) social performance reputation rating, social audits, (3) social performance processes, and observable outcomes, (4) managerial social principles and values. Social performance disclosures and audits refers to public information provided by a company, for example, annual reports and shareholder letters. Social performance audits and social performance processes and observable outcomes use third-party assessors. Managerial social principles and values regard the inherent values and culture in a company. (Lopez-Arceiz, 2018).

#### 4.5 Materiality

In a study by Khan et al. (2016) the CS-CFP relationship was viewed in light of CS-performance in sustainability topics that were considered material and immaterial. The concept of “materiality” was described in the GRI-standards as the relevance of a sustainability topic in regards to the two dimensions: how the topic affects the significance of the economic, environmental and social impact of the organization and the topics influence on stakeholder

assessments and decisions about the company (GRI, 2020). Khan et al. (2016) took an investors perspective in analysing the firms and therefore uses the SASB-standards when determining materiality. SASB is a set of reporting standards that was constructed with mainstream investors in focus, in contrast to GRI which addresses the company's impact on the world while SASB addresses the world's impact on the company (Allison-Hope, 2018). So, when determining what issues are material according to the SASB-standards the only stakeholders that are regarded are the investors. However, it is likely that topics may be material for several stakeholder groups, for example, an action that results in an increase of sales will have been material for customers and thereby also for investors as (Khan et al. 2016). The study found that firms that outperformed comparable firms in CS in material topics also outperformed comparable firms in terms of stock returns (the CFP in this paper). Furthermore, firms that outperformed comparable firms in immaterial CS topics *did not* outperform comparable firms in stock returns. Also, in terms of accounting measures (in this case return on sales (ROS) did high performers in material CS-topics outperform comparable, low performing firms. In the case of ROS, high performance in material sustainability topics acted as a predictor of future financial performance. The results indicate that in order to maximize profitability, a company's resources should be directed exclusively towards material sustainability topics. The paper, however, leaves among others the question of how investments in material sustainability topics influence stakeholders like employees in a way that improves financial performance.

#### 4.6 Industrial background of CSP and CFP

The relationship between corporate sustainability performance (CSP) and corporate financial performance (CFP) tends to vary depending on the industry and the different aspects of that industry (Grewatsch et al. 2017). Industries are concerned with different specific social, economic and ecological factors and challenges which companies must address. As mentioned earlier stakeholder demands also differ between industries and beyond the corporate sustainability challenges companies must also address expectations and demands of stakeholders. Further Grewatsch et al. (2017) discuss different engagements in corporate sustainability. There are sustainability initiatives driven by products and others driven by process. Previous research indicates that product-driven corporate sustainability surpasses process-driven engagements. Grewatsch et al. (2017) believe this is because stakeholders are more likely to accept these efforts. For example, creating a new product with a strong sustainability profile is more likely to be accepted and acknowledged by external stakeholders rather than the implementation of new internal sustainability processes. This is because the



directions in which a company wishes to focus its sustainability efforts are more apparent and easily understood through the products than the internal processes. Sustainability engagements focused on processes are not directly connected to consumer value and are more difficult to motivate for the stakeholders. Process oriented sustainability initiatives might therefore be considered a waste of company resources or seen more as a way to prevent failure rather than a way for producing success (Grewatsch et al. 2017).

Baird et al. (2012) find in their research, when analysing the possibility of a positive relationship between Corporate social performance (CSP) and Corporate financial performance (CFP) in different industries, that there is strong evidence for the relationship in industries with high environmental impact. Baird et al. (2012) confirm that previous research has shown similar results to theirs, namely that companies within high impact industries that focus their CSP-investments on environmental actions show greater CFP than others in their industry. In conclusion, Baird et al. (2012) claim companies within these high impact industries have more to gain in terms of financial performance from allocating resources aimed at sustainability investments focused on the environmental dimension of sustainability as opposed to others.

#### 4.6.1 The financial benefits of employee health and engagement in industrial sectors

Social efforts, in terms of employee health and engagement, appear to have positive financial impacts on the organization. In a report from the employer organization for the industrial (mainly steel, metal, mining, pulp, paper, sawmill, building materials, bottle, and welding mechanical industries) sector in Sweden, the financial benefits of improving the working conditions and the health and safety of the employees were presented. The report did not aim to provide a general guide on where to focus the social sustainability efforts, since the prerequisites vary highly depending on the different industries, but rather show that it is indeed possible to measure and to attribute financial value to social sustainability. The presented results showed that companies that performed above average in factors such as the working environment, health, and safety also financially performed considerably better than other companies. This was made evident by three examples.

The *first* example was a study that showed that the return on investment for preventive measures (return on prevention, ROP) was an increase, 2,2 times higher than the initial investment. The

participants of the study stated that mainly increased motivation and satisfaction of the employees and brand improvement were the biggest contributing factors to financial performance followed by prevention of disturbances. The *second* example was a study that showed that award winners in working environment, health, and safety outperformed comparable companies in average stock growth by having a comparable growth rate by 2,25. The *third* example was a study that showed that companies that worked preventive and systematic (proactive) with the working environment, health, and safety outperformed comparable companies in average profit margin by 8 percentage units.

According to the authors, the reason for the improved financial performance of leading companies in social sustainability is to a large extent the “big cost elephant in the room”, which is that the biggest cost for a company is not sick leave, but production loss from “unhealthy presence”. This means that if the employees are not feeling good in the workplace, the operational activities cannot function in the most efficient way and there is therefore a big, untapped potential for economic performance in working proactively to reduce physical and mental stress. The authors state that in later years the importance of “social capital” has increased. Social capital was explained in the report as a type of “master KPI (key performance indicator)”, which incorporates things like sick-leave, leadership index, employee turnover, work satisfaction, customer satisfaction etc. They continue by stating that, for a company, an awareness of social capital is a key factor in ensuring future economic benefits from the social sustainability. The authors concluded that the correlation between proactivity in the working environment and financial performance was robust, and that the most pressing need in this scenario at this point is not more research, but better use of the knowledge presented in the report. This can be achieved by having better leadership, engagement, and competency. (Rehnberg, Persson- Asplund, 2020).

## Summary of theoretical framework

Stakeholder theory	Stakeholder theory argues that good relationships with important stakeholders will result in future competitive advantage. This theory was used in the study by Barnett and Salomon (2012) where they concluded that in order for corporate sustainability performance to result in increased financial performance, the company must be perceived as legitimate sustainability actors by relevant stakeholders. If the company appears strategic (for example greenwashing) in their sustainability strategy, the stakeholders will not “reward” the company for its sustainability efforts. Thus, the curvilinear U-shape of the CS-CFP relationship.
RBV-theory and The virtuous circle	The RBV-theory argues that competitive advantage, and sustained competitive advantage, can be achieved by having resources that are: valuable, rare, inimitable, and non- substitutable. Barney (1991) argues that intangible resources often possess these qualities and are therefore often a source of sustained competitive advantage. Similarly, to Barney (1991), Surroca et al. (2010) state that intangible resources function as intermediaries between corporate social performance and corporate financial performance resulting in both increased competitive advantage and social sustainability performance. Surroca et al. (2010) also mention how companies could invest in order to improve the socially responsible outcomes and what benefit these investments might provide. Intangible assets are often a source of competitive advantage according to the RBV-theory. As explained in Barney (1991) these assets can for example be intellectual competence, know-how, reputation and patents.
Materiality	In the case of materiality, Kahn et al. 2016 found that firms that perform well in material sustainability issues also have better financial performance according to both market- based measures and accounting-based, when compared to firms who perform worse in material issues. Correspondingly, firms who perform well in sustainability issues not material (immaterial issues) have no better financial performance than firms who perform poorly in the same issues. Concludingly, the best financial efficiency are companies who are high performers in material issues while low performers in immaterial issues.
Industrial context and the social capital	Grewatch (2017) and Braid (2012) state that companies must pay attention to various stakeholder demands depending on the industry and it appears that companies in polluting industries have better financial performance when the CSP-investments are focused on environmental efforts. The concept of social capital as presented by Dyllick and Hockerts (2001) and the report by Rehnberg and Persson-Asplund (2020). The latter describes social capital in the context of the working environment and argues that it is instrumental in establishing the causal relationship of social sustainability and financial performance presented in the report. Rehnberg and Persson-Asplund (2020) explains social capital as a code of conduct or culture that is achieved through strengthening the relationships in the workplace among both the employees and the managers. Dyllick and Hockerts describe it as, among other factors, the skills, motivation and loyalty of employees and business partners, and having a culture that encourages innovation. It is fair to assume that the social sustainability described by Rehnberg and Persson-Asplund (2020) incorporates several, if not all, of the factors mentioned above
Measuring financial and sustainability performance	See figure 2.

Table 1. (Summary of theoretical framework).

## 5. Methodology

*In this section the methodology of the paper will be presented, and the choice of method used in the collection, analysis and compiling of the data will be described further. Finally, a critical review and discussion of the methodology will be presented.*

### 5.1 Choice of method

Quantitative research is based on calculation and statistical analysis of large sets of collected numerical data. Whereas qualitative research is processing and interpreting text, conducting surveys, studies, interviews and other observations to find answers to the research questions (Patel & Davidson, 2019).

When choosing between conducting a quantitative or qualitative study, the decision was made that the qualitative research approach was best suited to fulfil the purpose of the essay. Since we are not interested in numerical data but rather the opinions and motivations of the industry representatives, a qualitative approach is more suitable.

### 5.2 Secondary data

The theoretical background will be founded upon secondary data from literature that derives the corporate sustainability performance of organizations to the corporate financial performance. Furthermore, a review of this literature will aim to provide an understanding of the more prominent aspects of social sustainability in regards to the relation to financial performance. Primary tools for data collection will be Google Scholar and the digital database of the University of Gothenburg library. The accumulated knowledge from the literature review will further be used to build up the background of the theoretical framework of the study and to construct relevant questions for the empirical part of the report. All the theoretical literature will later be compiled and summarised for easier review and presentation.

### 5.3 Primary data

The empirical part and primary data of the essay will consist of a qualitative study, primarily from the results of interviews with relevant subjects from SSAB, Sandvik, Höganäs AB and Boliden. All of whom are companies within the Swedish process industry. The interviews will be conducted in a semi-structured manner to ensure that the interview subjects are posed with the same main questions but also leave room for the interviewers to ask spontaneous questions throughout the interview if the need should arise for further clarification or development.

To get relevant results from the interviews based on the purpose and research questions, the following main focus areas have been decided to be the most important: Development, Strategic value, Measurement, and the Result of sustainability. By having both a general and specific (social aspect) view of sustainability and its capacity for generating financial benefits and being strategically valuable, the differences between the sustainability aspects will be made visible. This in turn will allow for a more nuanced analysis of social sustainability and how its strategic value to the company can be leveraged.

The more general questions in the Development section will provide an understanding of the different motivations behind the companies' sustainability strategies, their most important stakeholders and how the development and implementation of these strategies may vary in an international setting. This will provide comparable information about what motivates the individual companies and their efforts towards social sustainability and what topics they regard as material.

Secondly, the focus will be on the strategic value of social sustainability. How the companies address this and the involvement of top management in the development of the strategies. Do the companies view investments in social sustainability as primarily philanthropic or strategic? (Strategic implying in this case that it will now or in the future create value). And how sustainability strategy may interfere with the decision making of managers. This section will provide insight into how social sustainability is valued by the company and the level of interest the top management have for those issues.

The Measurement section will focus on how the companies measure their progress within sustainability in general, and within social sustainability in particular. If the companies use any internal measurement not presented in the sustainability reports and if they use third party opinions. Lastly the interviewees will be asked to clarify if the companies attribute financial values to sustainability, and specifically to social sustainability.

The final area will focus on the result of sustainability and how the companies measure these results. Further, this section will question how the companies define a successful social sustainability project and how is that success measured. Could there be reasons that the connection between social sustainability and financial performance should not be made? And what are the primary drivers and potential barriers for social sustainability.

The results from the interview will be transcribed and later compiled into a summarising document following the structure of the interviews with the main areas for simpler review and comparison of the results.

## 5.4 Methodology discussion

As mentioned in the background and problem discussion, heavy industries and the previous research surrounding them, tends to concentrate on the environmental aspects of sustainability. The lack of research regarding the connection between financial performance and social sustainability in heavy industry gained our attention. The choice was made to look at Swedish companies in order to improve our chances to secure interviews. Regarding the selection of industries in Sweden, the metal and steel industry was chosen based on the selection of Swedish companies available in that industry.

When selecting the companies to interview we selected large companies based on turnover and employees (Largest Companies, n.d) that would also be representative of the diversity of products on the industry. Höganäs is the smallest company but instead they are the most international, which makes them relevant despite them being significantly smaller than the other companies. We wanted to include large companies that have the resources to work extensively with social sustainability. While size is mentioned as a variable that affects corporate sustainability according to Grewatsch et al. (2017), we believe that in order to incorporate that aspect we would have to have a larger sample of companies, big and small. Aspects that were addressed were the differences in owner structure of the different companies: Sandvik Materials Technology being a business unit, SSAB partly owned by the Finnish and Swedish state, Höganäs privately owned, and Boliden, a publicly traded company without large state owners. Although, the results did not indicate any significant differences relating to owner structure.

The definition of social sustainability used in this thesis is the definitions used in the GRI-standards. This is because we wanted to incorporate diversity into the concept and since it can be argued that diversity is primarily a governance issue according to ESG, the GRI-standards were more suitable.

### 5.4.1 Strengths and weaknesses

When conducting the interviews, we left a lot of the interpretation to the interviewees. The benefits from this are that by allowing the interviewees to freely explain and elaborate on their view of how social sustainability affects financial performance, we would get a more nuanced

image of the relationship acknowledged by the different companies. On the other hand, if we would have had a more standardised interview format where with beforehand selected sustainability topics, the answers would be more comparable, and the differences of the companies might have been more visible. Although, this would constitute the risk of missing some aspects of the social sustainability areas that are perceived as important by the companies. Since the purpose was to gain a better understanding of how the industry values social sustainability rather than about the individual companies, the less standardized approach will have provided us with more useful insights.

Given that the interviews were conducted with a limited amount of time, having more standardized interviews would have been one way to ensure all relevant questions were answered within the limited time frame. With a larger scope on the assignment and given more time the study could have been extended to incorporate more companies and thereby the result would have been more representative for the entire industry. Also, a larger scope and more time would allow for interviews with people working primarily with financial issues as well. Thus, contributing to increased nuance of the results.

## 6. Result

*In this section the result of the interviews will be presented and followed by a thorough analysis of the relevant findings connecting to the theoretical and empirical data. In some cases, the answers were removed from the results due to that they were not relevant for the result or that the interviewers did not, for lack of time or other reasons, pose those questions. This is why the answers from one or several of the companies are missing in several sections. General information about the companies and main findings from the interviews are presented in the table below.*

The results will be presented based on the four main categories of questions asked in the interviews. The first section regards the general development of the sustainability strategy and what factors played a major role in the development. Eventual differences depending on the national and international context are also presented. The second section presents the results from the interview answers that regards the strategic value of sustainability in general and social sustainability in particular. The main focus is on social sustainability. The third section regards how the company measures sustainability and how they attribute financial value to sustainability in general and social sustainability in particular. The fourth section focuses on

the outcomes of social sustainability in general as well as regarding the risk-mitigating and reputation-building capacities of social sustainability.

Titles of interviewees used in the result.

Sandvik Head of Governance and Sustainability will in the result be referred to as:	S.HG  (Sandvik, 2021)
Boliden:  1. Sustainability director 2. Manager of Employer branding 3. Group safety director	1. B.SD 2. B.EB 3. B.S (Boliden, 2021)
The SSAB sustainability director will be referred to as:	S.SD (SSAB, 2021)
The Höganäs Sustainability Manager will be referred to as:	H.SM (Höganäs, 2021)

Table 2. (Title for the interviewees)

## 6.1 Development

The interviews were started with questioning the interviewees regarding the most important aspects when developing their sustainability strategy. In this section the companies’ primary sustainability issues, stakeholders, and how these might vary internationally, will be explained. The reason for this is to provide a more nuanced understanding of the different motivations behind each company.

### 6.1.1 Development of the strategy

In the development of the sustainability strategies Sandvik, Boliden and SSAB all start by collecting their own data from materiality and stakeholder analyses. Taking into account their material impacts and the opinions of internal and external stakeholders when formulating their strategies and goals. For Sandvik it is important that the strategy is applicable to all business areas, the interviewee calls it ‘not perfect for anyone but good enough for everyone’, as well as being a sustainable and legitimate business partner, not putting the company at risk of being accused of greenwashing when setting their goals. Similarly to Sandvik, Boliden mentioned that their respective business areas have their own stakeholders and prerequisites that are also



affected by the country in which they operate. Boliden annually conducts new surveys and materiality analyses to ensure that the scope of their goals is still relevant. SSAB have ambitions to offer fossil free steel to the market by 2026 and thus the climate issue is of big importance to them and when developing the sustainability goals. However, the S.SD mentioned that matters regarding health and safety of their workers is of paramount importance. The pressure for increased focus on sustainability, especially environmental, came internally from the Höganäs company owners who demand all decisions regarding investments and development must be taken with account to sustainability, to ensure the company does not create new problems in the future. H.SM mentioned that this has been advantageous since investing in sustainable solutions requires capital. Furthermore, having the support and encouragement of owners and the CEO makes the transition to becoming more sustainable much easier and speeds up the process. Pressure on the social aspects of sustainability has come mainly from external stakeholders, such as governmental authorities and institutions, but the topic has always been important to Höganäs. The sustainability manager believed that the will must be genuine and come internally in order for the sustainability plan to be successful.

### 6.1.2 Sustainability in Sweden compared to an international context

On the topic of development and execution of their sustainability strategies we asked the companies to explain how their priorities or strategy might vary or be affected by international setting.

All companies mention that differences in culture is the most important dimension to consider when developing and implementing their sustainability strategy outside of Sweden. S.HG at Sandvik mentioned that awareness of sustainability varies significantly internationally, but that Sandvik strives to achieve similar results in environmental performance everywhere. Sandvik also uses measuring systems to guarantee compliance of their sustainability practices and to ensure that there is no misconduct in their supply chain. International and regional cultural differences have a direct effect on what kind of sustainability they are able to practice and must be taken into account, which is something interviewees from all four companies point out. In regards to social sustainability Boliden set general guidelines and values that can be adopted everywhere and then later easily adapted to the specific regional situation. In other aspects of sustainability B.SD explains that the prerequisites of the country determine what type of sustainability is implemented. Höganäs strive to adapt to the setting of the country in which they operate but the H.SM say that inside the walls of Höganäs the company values come first.

At SSAB the same values and ambitions apply everywhere regardless of international setting. S.SD said that the difference in international legislation however has an effect on implementation.

## 6.2 Strategic value

This section will present how the interviewees view the strategic benefits of social sustainability.

The strategic value of social sustainability can be categorized into four main themes:

- Employee attraction and retention
- Improved decision making
- Credibility to customers and the “social licence to operate”
- Part of the entirety of corporate sustainability

*Employee retention and attraction* was mentioned numerous times in all of the interviews. The B.EB explained the situation at Boliden, “And when it comes to employee issues and those areas, it becomes a key issue for us as well as for other companies to be able to attract and develop our co-workers, and there we know, we use surveys and analyses, that sustainability (all aspects) issues are important to the co-workers.”, he continued to mention that it also appears important to potential employees to work for a company with a clear purpose. Therefore, it also becomes important for Boliden to be clear in their communication of how their products can contribute to a sustainable society. The capability of employee retention and attraction is predicted to be increasingly important for companies in the north of Sweden as a result of the industrial expansion that is taking place and according to B.S companies like Boliden and SSAB will have to prepare for increased competition for skilled employees. The interviewee from Höganäs also explained the importance of sustainability in attracting new employees, and especially social aspects such as, having a safe workplace where people of every gender and background have the potential to develop in their careers.

H.SM elaborated on the benefits in *improved decision making*, which is a result of having a diverse workforce. In the opinion of H.SM, the groups that are diversified are the ones that work the best, and there is a strategic value in making those groups part of management. This was echoed in the interview with SSAB where S.SD explained that diversity is something that is very hard to work with. The issue is not only about physical attributes or gender, but more about cognitive abilities. A group of people with a diverse background and different capabilities

will bring a bigger set of perspectives to the table. The more perspectives you can get on a question the better the end result will be and thus diversity becomes an important aspect of SSAB's sustainability strategy.

*Credibility for customers and the "social licence to operate"*. For Boliden sustainability is crucial in the business since they incorporate the entire value chain of metal production, from mining to processing. B.EB stated that sustainability is an instrumental factor in achieving a "social licence to operate". Boliden must be considerate of a number of stakeholder interests and be transparent in their communication in order to be able to continue to exist and develop as a company. An example of when the social licence to operate is a highly important resource is when the company wants to open a new mine. As B.EB stated, "We need to be "best in class" in order to open a new mine somewhere, then we need good relationships with very different stakeholders in order to actually show that there is no better way to open a mine than this". Also, at Höganäs the interviewee talks about the importance of a licence to operate and also "licence to sell", which are synonymous with the previously used term, "social licence to operate". H.SM explained that if the company does not conduct their business in a sustainable way, the reactions from stakeholders will be negative and affect their business. One example of such a stakeholder interaction can be seen in the example given by S.SD about SSAB. She mentioned that several of the company's customers demand that SSAB keep below a certain level of work accident frequency in order to even be considered as a supplier, and that the issue of social sustainability thereby has a clear connection to customer relations.

A fourth and also frequently mentioned strategic value of social sustainability was that it is *part of the entirety of corporate sustainability*. All of the interviewed companies valued sustainability highly as a source of competitive advantage. For example, SSAB has fossil free steel which is their whole future business and Sandvik's business strategy is to be considered a sustainable business partner by their customers. By branding themselves as sustainable companies, it is not enough just to focus on the environmental aspects of sustainability, even if the companies are known for having large CO<sub>2</sub>-emissions. They have to work with the social and governance aspects of sustainability as well. As the interviewee from SSAB explains it, "I mean, if it would surface that we with one hand say, "come and buy our fossil free steel", while with the other hand, we bribe someone in Ghana or we discriminate somebody in USA or that we have a supplier that uses child labour. It does not compute. And then the fall for us will be higher than if we had not stuck our chin out on that (sustainability) side."

### 6.2.1 Philanthropy or strategy

The interviewees for Sandvik and Höganäs were asked directly if they considered their social sustainability efforts to be primarily driven by philanthropic or strategic values. The results were that both S.HG and H.MS considered it to be a bit of both. However, S.HG considered the efforts at Sandvik Materials Technology to be more strategic than philanthropic. S.HG stated that Sandvik Materials Technology does not calculate a “business case” of social sustainability. The business case and the strategic value of social sustainability exists in employee attraction, the company needs to have a “complete sustainability story” in order to attract the brightest minds and new talents. This notion is well understood within Sandvik and therefore, the interviewee did not think it is necessary to attribute financial values to social sustainability. Furthermore, the results of successful employee attraction is difficult to formulate in KPIs or other figures. H.SM also mentioned the strategic importance in being able to attract a competent workforce. He also mentioned (like SSAB and Sandvik) that the most highly functioning groups are the more diverse ones. There is nothing to gain from not letting resources that have something to contribute make their voices heard. And in this remark Höganäs do not differentiate between background or demography, which the H.SM argued to be somewhat philanthropic.

### 6.2.2 The influence of corporate sustainability on individual managers

B.S mentioned that at Boliden managers have bonus systems connected to the safety and health of their employees and in that way the managers are directly affected by the sustainability. The idea of a Bonus system connected to sustainability in general has been up for discussion at Sandvik but as of yet, no such system has been implemented. However, individual managers are faced with sustainability goals in their everyday activities. Managers are also expected to implement the sustainability strategy throughout their organization, and they are responsible to follow up on the goals and make sure they are reached. It is important to note that all managers at Sandvik do not have strictly set sustainability-goals, but all managers have goals that incorporate some sustainability aspects. If a manager is not performing sufficiently in reaching the goals set by the company that manager will receive a worse review, which in the long run will affect the salary of that individual manager. S.SD explained that at SSAB the individual site-managers have a big responsibility in ensuring the social sustainability is upheld at the

sites. The directors working on the SSAB headquarters (HQ) do not keep track of everything that happens out on the different production sites and facilities. The company, however, does require the site-managers to follow the company policies drawn up by HQ.

## 6.3 Measurement

This section regards the way the interviewed companies quantify and measure the outcomes of their social sustainability efforts. The area starts by presenting the results regarding how the companies measure the actual outcome of social sustainability (defined here as “social sustainability performance”) in terms like injury frequency and diversity indexes. The following section presents the results regarding the company attribution of financial value towards sustainability in general and *social* sustainability in particular.

### 6.3.1 Measuring the social sustainability performance

The primary measurements that were exemplified in the interviews connected to social sustainability are KPIs regarding accident frequency (lost time injuries, total injury frequency index etc, see table 1.) and diversity index such as female employee ratio and women in leading positions. Third party assessments were also incorporated by a majority of the interviewed companies with the purpose of getting a qualitative image of how the employees are feeling and their perception of the workplace. Sandvik are ISO 14001 certified by the International Organization for Standardizations, which proves that the company lives up to a certain sustainability performance standard. This also entails that the certified sites are continuously inspected by a third party and thereby Sandvik gets a clear image of how the assessor or assessing organization views the company’s sustainability performance as well as the company's ability to work methodically to achieve their sustainability goals. The interviewees from Boliden and Höganäs mentioned that they use internal, qualitative measures derived from employee surveys conducted by third parties (which is important for ensuring objectivity according to H.SM at Höganäs) or the company itself. The employee surveys were considered important in ensuring the proactivity of the social sustainability work. B.S mentioned that Boliden constructs internal measures and KPIs like “safety culture index” and “proactivity index” from survey responses (Renman, 2020).

B.SD mentioned that some aspects of social sustainability, like social involvement, are very difficult to measure and it can therefore even be “dangerous” to express everything in numbers.

B.S agrees with the limitation of some measurements exemplifying the problematic nature of measuring injuries resulting in time away from work (LTI) since an injury resulting in just a few days absence and an injury that results in several months away both are identified as LTI. This may result in a misleading image of the site's safety. B.S continued that "soft values" (a term he is disinclined to attribute to social sustainability issues since they are also important for financial reasons) are becoming increasingly important to Boliden to develop new measures that encapsulate these aspects of sustainability better. Not all measures that are used are not demanded by external stakeholders. The employee surveys mentioned above were considered important in ensuring the proactivity of the social sustainability work. The "safety culture index" and "proactivity index" mentioned above are examples of indexes resulting from survey responses (Rehman, 2020).

### 6.3.2 Is sustainability value creating and are financial values attributed to it?

All of the interviewees responded that they attribute financial value to sustainability. Regarding SSABs investment in sustainability S.SD responds that sustainability absolutely is valued, "our entire future operation is about offering fossil free steel so of course". Sandvik has also incorporated sustainability to a large extent in the business strategy by aiming to act as a "sustainable business partner" to their customers. Höganäs describes a similar goal by taking the automotive industry as an example. H.SM explains that it is rather simple for a car manufacturer to become sustainable in their production when viewed in isolation, "it is really not that hard because it is about making the machines electric and ensuring that the electricity comes from renewable energy sources". This is not enough to be considered sustainable, why the manufacturers need to ensure that their components and other links in the value chain are also produced in a sustainable manner, which is where companies like Höganäs come in. However, H.SM clarifies the time period which determines how sustainability is viewed in regards to value creation, "in the long run yes, but at first I am afraid it is a liability".

We followed this question up by asking the interviewees the same question but now if they regarded *social* sustainability as value creating and if they attributed financial value to it. The responses were more diverse. Sandvik and Boliden answered that, while they regarded social sustainability as value creating, they did not attribute financial value directly to it. As S.HG explained regarding the situation at Sandvik Materials Technology "It is incredibly easy to measure the economic value of being circular in our steel mills by usage of recycled materials.

To view that in money is infinitely more simple than to calculate the cost of somebody getting hurt. To calculate the costs of somebody hurting themselves at all does not feel ethically right to me”. S.HG. proceeded by mentioning that in his experience as a manager and working with governance and social sustainability issues, diverse groups make better decisions and happy and healthy employees perform better and dare to try new things. Boliden is also aware of the positive financial impact of social sustainability but, like Sandvik, does not feel the need to attribute financial values directly to it. B.SD said that while they have several financial KPIs relating to environmental sustainability, KPIs regarding social sustainability are much harder.

B.S mentioned the report by Rehnberg and Persson-Asplund (2020), where the authors have attributed costs and benefits in financial terms to social sustainability in the form of healthy employees (physically and mentally) and an overall good working environment is presented (Rehnberg, Persson-Asplund, 2020). He explained that while it is highly interesting to get such concrete evidence on the financial benefits of this aspect of social sustainability, he does not think it is necessary to do similar studies at Boliden since these issues already have such a high priority from the top management.

SSAB and Höganäs, on the other hand, do attribute financial value to social sustainability, although not in the same way as environmental. As S.SD mentioned regarding the GRI-standards, topics regarding regulatory compliance and anti-corruption are placed under “social”. If the company or any affiliates perform poorly in any of these areas it immediately becomes very expensive, so the financial value of social sustainability in this aspect is viewed more as cost-avoidance than value creating. Höganäs also described the primary, identifiable, financial value from social sustainability as cost avoidance. H.SM exemplified this by mentioning that it is easier to calculate reduced cost from employees not quitting, getting sick, or becoming overworked.

## 6.4 The result of sustainability

In this section the results regarding the final outcome of social sustainability according to the interviewees. The first section presents the results from the interviews, where the interviewees described what success in social sustainability might look like and what outcomes it may result in. The following sections present social sustainability’s impact on the factors of company

reputation and risks. The final two sections regard if there may be negative consequences of attributing financial value to social sustainability, and finally, what the main drivers for working with social sustainability are and what potential barriers to further social sustainability efforts there may be.

#### 6.4.1 What defines a successful social sustainability project?

The definition of a successful social sustainability project varies. The interviewee from Sandvik Materials Technology exemplified the outcomes of a successful sustainability project as the positive effects on the wellbeing of the employees and a positive feeling towards the company. An example of a project that makes S.HG proud to work at Sandvik is the company's involvement in "Engineers Without Borders", an organization that helps disenfranchised regions to develop by providing engineering assistance. Also at Boliden and Höganäs can the result of a successful sustainability project be viewed as positive influences on employees.

B.EB mentioned the benefits of social sustainability regarding employee retention at Boliden. By having good working conditions, minimizing accidents and providing a workplace in which the employees feel safe and that they have the potential for development, it becomes easier to hire new and retain current employees. Furthermore, B.S elaborated that they follow up on corporate sustainability by watching trends in different social sustainability parameters, some of which are of higher importance to external stakeholders and some that are more used internally. More internally demanded measures are employee surveys. If these surveys do not indicate a positive progress, they want to enable a wide discussion for how things can and should be improved. Also at Höganäs, employee retention and attraction is an indicator that a social sustainability project has been successful. H.SM said that the success can be measured in part in the number of applications sent into the company since that is an indicator of Höganäs attractiveness as an employer.

Another result from a successful social sustainability project can for example be seen in its suppliers. B.SD mentioned that if Boliden can get suppliers that deliver on time with environmental efficiency as well as good social conditions for its employees, then the sustainability efforts can be viewed as successful.



#### 6.4.2 The impact of social sustainability on company reputation

Another impact of the social sustainability of the companies can be seen in improved reputation and improved legitimacy. An example of this is Sandvik which has sustainability highly incorporated in their business strategy in that they want to be a “sustainable business partner”. In order to be perceived as such by their customers it is not enough just to focus on the environmental aspect, but the company needs to ensure that they are not involved in any corruption or bribery contexts and that the employees are treated with respect and dignity, the whole corporate sustainability concept must be addressed. The S.GS mentioned the concept of “licence to operate”, which in the steel industry is, as previously stated, highly dependent on corporate sustainability. He explained that it is rather easy to get a literal “licence to operate” but to ensure that customers return and continue to buy their products. He stated, “It (the reputation) is something you can earn, a confidence which takes a long time to establish if you are new and is very quickly destroyed if you mess up”.

The term “licence to operate” was also mentioned in the interview with the Boliden representatives and Höganäs. B.EB described this as a necessity for Boliden and is established by having good relationships with stakeholders and to conduct their business in a transparent way. As a concluding remark to the interview the MEB wanted to clarify that while social sustainability is very important to the company for the reasons discussed, primarily it is a “part of the whole”, which relates to the *whole* sustainability concept. H.S.M called “licence to operate” and “licence to sell” pseudo KPIs. To ensure that Höganäs can continue to operate they must stay on good terms with stakeholders like: surrounding communities, customers, students and future employees and also authorities.

#### 6.4.3 Social sustainability as risk reducing’

In order to leverage the risk reducing capabilities of social sustainability, proactivity appears to be instrumental for all companies that were asked. By working proactively with social sustainability and doing more than the minimum, the companies may hedge against future legal risks and, by extension, legitimacy risks. The B.EB said that by working proactively with social sustainability, risk is reduced for the employees but in extension also for other stakeholders such as the local community and customers. A statement to which B.S.D concurs. Furthermore,

B.SD and B.EB mentioned that an increased digitalisation will enable the company to be even more proactive and further reduce risk. However, the technological knowledge required in order to fully leverage more advanced analysis tools may constitute a limiting factor for the company. A scenario which further underscores the importance of being able to attract new, competent personnel.

#### 6.4.4 Reasons for *not* connecting corporate social sustainability performance directly to corporate financial performance

In order to get a more nuanced image of the value of social sustainability we asked the interviewees if there was some reason not to connect social sustainability to financial performance.

There appears to be some consensus in the answers regarding the difficulty in measuring all dimensions of social sustainability. As stated in the section regarding the financial value of the social sustainability (6.3.1) The head of governance and sustainability at Sandvik Materials Technology was reluctant for ethical reasons to attribute financial values to aspects regarding the well-being of the employees and found it unnecessary since the top management already agrees that there is financial value to be found in improving the working conditions in the company. At Boliden, top management also believes that improved working conditions are crucial for a number of reasons and therefore prioritize this aspect of social sustainability. One reason for measuring the financial value of social sustainability was to get management buy-in, which according to the interviewees at Boliden, there already is and therefore, making the CS-CFP relationship explicit was not regarded as very important. However, B.S mentioned that he does believe that the opportunities from improved analytical tools and better data to measure financial values connected to social sustainability should be used. However, he further argued that while measurements and numbers may be helpful it is not enough, and it is not the starting point. Social sustainability must primarily be value-driven. In order to establish a trusting relationship between the employees and the company, the management must show that they are behind the sustainability efforts, that they take care of their employees, and have trust in them. He concluded that while helpful, measurements are only an aid and not the primary tool. At Boliden, focus on safety has been a key focus for so long that the question of its value is never debated. He said “It (social sustainability) should be governed by values, which I think it is... rather than that someone read in a table that “we made money from this!”

SSAB and Höganäs addressed the difficulty in measuring financial value from aspects of social sustainability like diversity and human rights. S.SD mentioned that it is impossible not to end up in an ethical debate once you try to monetize topics like human rights and diversity, and “true diversity”, not just the ratio of women in the workplace, is rather difficult to measure. It is possible, however, to see that the production rate is more stable when accidents are less frequent, but attributing direct value is still difficult. Environmental aspects of sustainability are significantly easier and will become even more prevalent in the business since the new EU-taxonomy demands that companies report “green revenue”. H.SM also described the difficulty in placing a financial value on social sustainability. Placing a monetary value on social sustainability is something that the finance department is struggling with because it is often in the form of individuals' perceptions. It is easier to measure what you do not lose than what you gain from social sustainability. H.SM believed that creating positive KPIs for social issues would motivate more companies to invest more into those issues, because some people understand numbers better than anything else. He said that one should never underestimate the motivation that can come from potentially improving the results on the balance sheet. But what those KPIs might be he does not know. The interviewee further mentioned that reasons for not making the connection between CS and CFP would be more of an ethical nature than financial.

#### 6.4.5 Primary drivers and potential barriers for social sustainability

Throughout the interviews it became apparent that the primary drivers behind the corporate social sustainability of the interviewed companies was primarily the intrinsic values of the companies. While several strategic benefits from social sustainability were mentioned in the interviews, such as employee attraction and retention, social licence to operate and sell, and good suppliers, the value of having happy and healthy employees and providing value to the larger society appears to be the most important drivers. In addition, it also appears that the part social sustainability plays in the totality of the corporate social performance of the company also plays a very large role in driving the development, since all of the interviewed companies market themselves as a sustainable choice for its customers.

When it comes to the barriers to the development of social sustainability, a key limiting factor is time and personnel. The S.SD believed that the biggest limitation for SSAB is that the company can get caught up in wanting to achieve too much at the same time, which can lead to not only a conflict in goals and ambitions but also in resources, both human and financial. SSAB

is a large but slim organisation which unfortunately leads to some sustainability issues having to be prioritised over others. The interviewee continues to explain that this is due to both a lack of human resources and that the sustainability agenda is continuously growing and encompassing more and more business areas and aspects that must be addressed. The lack of time and other conflicting targets that a manager must reach may in some cases constitute a limiting factor for Boliden, however, as the B.S explains in the few cases at Boliden where managers perform poorly in working environment issues according to employee surveys, these managers have not alleviated the issue to a core value. He emphasises that this is a very small part of the managers at the company, so if one were to look at larger threats to the social development a major threat would be not being able to have daily meetings in working groups before the workday begins. This is harmful to the proactivity of the social sustainability work and during the COVID-19 pandemic these meetings have been difficult to have.

At Höganäs the interviewee believed the greatest obstacle for developing social sustainability is culture. Not the “Höganäs culture” necessarily but the culture we are raised with and inherit. As an example, H.SM mentioned the way societal culture influences how we treat women or people from different backgrounds. To counteract this what is sometimes needed is legal action and change in regulations. Another important aspect is the communication structures of the organisation. There needs to be trust and open lines to communicate between factory workers and top management to ensure compliance throughout the organization.

		Sandvik (Materials Technology)	Boliden	SSAB	Höganäs AB
<b>General</b>	<b>Interviewees:</b>	Head of governance and sustainability	- Sustainability director (SD) - Group safety director (GSD) - Manager employer branding (MEB)	Executive vice president and head of sustainability	Manager group sustainable products and processes
	<b>Company type:</b>	Business area	Publicly traded company	Publicly traded company	Privately owned company
	<b>Duration of interview:</b>	60 min	- 30 min with all 60 min with GSD and MEB	30 min	60 min
	<b>Core business: (verksamhet)</b>	Producing alloys and putting them into product form	Mining and production of metals	Steel production	Production of metal powders
	<b>Revenues: (MSEK)</b>	Sandvik AB: 86 404 Sandvik materials technology (SMT): 13 825	56 321	65 396	8 645
	<b>International presence:</b>	Business areas on all continents	Mines: Sweden, Finland, and Ireland. Melting facilities: Sweden, Norway, Finland. Offices: Sweden, Denmark, Germany, and England.	Sites: Sweden, Finland and USA. Distribution centers and sales offices: Norway, Denmark, Poland, and the Baltics	Brasil, USA, Spain, Schweiz, Italy, France, Germany, Denmark, Russia, Great Britain, India, Taiwan, South Korea, and Japan
	<b>Number of employees:</b>	Sandvik: 37 125 SMT: 5 084	6071	13 974	2 300
<b>Sustainability strategy</b>	<b>Core sustainability issues:</b>	"Sustainability goals 2030": circularity, climate, people, and fair play	"The prioritised sustainability areas of Boliden": Coworkers, environment and climate, Responsible business	"Sustainability goals 2020": Sustainable offer, Sustainable business, and Responsible partner	"The five sustainability areas": workplace, society, climate, environment, and products
	<b>Primary stakeholders:</b>	Employees, Customers, and Investors	Market (customers and raw materials suppliers), Capital markets (main owners and investors), Society, Employees, Environment, Suppliers	Existing and potential customers, Existing and potential employees, Shareholders, investors and financiers, Local communities near SSABs production sites, Public agencies and organizations.	Customers, Co-workers, Financial institutions, Owners/board, Suppliers, Authorities, Neighbours, Industries organizations, Local communities
<b>Measurement</b>	<b>Central social sustainability KPIs*:</b>	Total recordable injury frequency rate (TRIF), Lost time injury frequency rate (LTIF), Women in managerial positions	LTIF, Women in the company, Safety culture index (internal)	TRIF, LTIF, Share of women of top management positions	TRIF, LTIF, Co-workers per region according to gender and employent type.
	<b>Is sustainability considered value creating and are financial values attributed to it?</b>	Yes	Yes	Yes	Yes
	<b>Is financial value attributed to social sustainability?</b>	No	No	Yes	Yes
	<b>Main findings:</b>	While no direct connection between social sustainability and CFP is made, high performance in working environment issues are viewed as enhancing the performance of the employees and increase the company's ability to attract new employees as well as retain current employees	The possibility for measuring financial performance derived from social sustainability (working environment and labour issues) exists. The company however, does not find it necessary since the notion that improved social sustainability leads to enhanced financial performance is not contested on any level of the organization. Social sustainability is part of the sustainability concept, which makes it important for the company who wants to be viewed as sustainable	The social sustainability is attributed financial value, although, the value is primarily negative. Safety is the most important topic ("strategically, operative, and executive") overall for SSAB. Diversity is important but difficult to work with. Social sustainability is an important part of the business offer "sustainable steel"	Strategic importance in being an attractive employer by valuing equality, safety, equal opportunity for all. More diverse groups make better decisions, however the interviewee states that the company is underperforming in that aspect. It is easy to measure reduced income from LTIs but hard to measure increase in revenue with certainty. Positive financial KPIs on social sustainability is lacking but would be beneficial as an incentive for improving social sustainability performance. Manager's behaviour and "the power of the example" are important for social sustainability performance.

\*The KPIs are selected on the basis of the interviewees answers and the KPIs relating to the social dimensions of the companies sustainability strategy presented in their respective sustainability/annual reports

Table 3. (Summary of interviews, own creation)

Explanation for the table. This table is meant to provide the reader with relevant information about the companies that took part in the interviews. Included is general information about their respective business areas, yearly revenues, number of employees, and the different locations in which they operate. In addition to the general information, the individual companies core issues, primary stakeholders, social sustainability KPIs, along with the main findings from each interview, has been included in the table.

## 7. Discussion

In this section the previous literature and theoretical framework will be summarized and the value driving mechanisms of sustainability and, in extension, the business value of corporate social sustainability will be presented. The discussion will then proceed to view the results in light of the above mentioned theoretical background and a concluding answer to the question “how do companies from the Swedish process industry, operating in mining and steel production, address social sustainability in regards to its potential for enhancing corporate financial performance?”

### 7.1 Findings from the foundational theories

From the theoretical framework and the previous literature, characteristics of CS needed in order to be financially efficient can be identified. The sustainability should be:

- Credible in the eyes of primary stakeholders
- Contribute to good stakeholder relationships
- Generate resources that are valuable, rare, inimitable, and non-substitutable
- Be material
- Contribute to increasing the social capital of the company (applies more to social aspects than environmental)

Regarding the definition of social capital mentioned by Rehnberg and Persson-Asplund (2020) and the intangible assets mentioned by Surocca et al. (2010), it can be argued that social capital can be identified as a collection of competitive advantage-generating intangible assets like employee loyalty and involvement.

### 7.2 Strategy development

All of the analysed companies work with a stakeholder analysis followed by a materiality analysis. Even if not mentioned in the interview, Höganäs also employ a materiality analysis (Höganäs, 2021) when determining what sustainability topics should be included in their sustainability strategy. While materiality as such may be an imprecise determinator of financial efficiency of the corporate sustainability, Khan et al. (2016) showed that material issues for *investors* resulted in improved financial performance. The companies in this thesis however, address multiple stakeholders and not only investors. Since the analysed companies incorporate

several stakeholders, materiality might be a poor predictor of financial performance. Here, the context of the industry becomes relevant. The process industry is very dependent on having good relationships with stakeholders that are not investors, like employees and local communities. As made apparent from both the interviews and the report by Rehnberg and Persson-Asplund (2020), good employee relationships are crucial for achieving operational efficiency. Furthermore, in the case of Boliden they are very dependent on good stakeholder relationships to be able to continue to develop as a company since they are dependent on various external stakeholders in order to be able to open new mines. With this in mind, it appears that high performance in material topics indirectly affect financial performance. Having the evidence of financial benefits from social sustainability as measured in stock returns and ROS (Rehnberg and Persson-Asplund, 2020), it is possible to further make the argument that materiality is useful as an indicator of the financial efficiency of CS, even with social sustainability topics.

This should be viewed with caution since all of the interviewees mentioned that culture is a highly important factor in determining the kind of sustainability practiced depending on the country. Thereby the notion that good performance in material issues as such, can be viewed as a predictor for financial performance may not hold true in an international context where different topics are valued differently depending on the country or region.

### 7.3 Strategic value

Employee attraction and retention is arguably one of the most intuitively profit generating aspects of the strategic value of social sustainability since it directly minimizes the cost of hiring and training new employees. As presented in the results, high performance in social sustainability by having good working conditions and focusing on physical and psychological well-being of the employees is important in order to keep those currently employed but also a crucial part of their employer branding and attracting new competence. It can be argued that social sustainability as a competitive advantage-generating asset may be even more important in the near future, given the tightening competition of competent employees in the north of Sweden. Applying the RBV-theory to this, the strategic value of social sustainability can be further argued for by acknowledging the intangible resources, like innovation and reputation, that can be obtained by being an attractive employer and improving relationships with existing employees. However, the RBV-theory provides more nuance to the financial potential in excelling in social sustainability.

Another aspect of being an attractive employer is that it enables the company to construct a more diverse workforce. In several of the interviews, and explicitly acknowledged by the interviewees from Höganäs and SSAB, the advantage of having a diverse workforce was desirable. Diverse groups were considered to be superior and led to improved decision making. Although the interviewees stated that diversity of cognitive abilities are more important than demography and background, they see the need for a more diversified workforce. All companies have KPIs and goals connected to increasing the number of female employees. S.SD, and partially H.SM, mention that diversity is a problematic subject since companies are not allowed to document information about their employee's background or origin. This makes measuring or creating relevant KPIs for diversity that go beyond gender difficult. The desire for more diversity indicates that the strategic importance of a heterogeneous workforce, as described by Surroca et al. (2010) as an intangible asset related to human resources, is acknowledged as a contributor to competitive advantage and is considered in recruitment, but not officially measured. It could be argued that this presents a risk. Since companies are not able to measure the development of workforce diversity in more accurate KPIs, there is no clear indication that the progress is headed in the right direction.

Continuing the RBV-theory and the notion of intangible assets that generate competitive advantage, the concept of a "social licence to operate" is an area in which RBV-theory meets stakeholder theory. By having good relationships with stakeholders, the company may acquire the intangible resource, a social licence to operate. The financial importance of this is highlighted once again in the case of Boliden and their mining operations. As the interviewee mentioned it is important to have good relationships with a number of stakeholders in order to be allowed to open new mines, which can be seen as an example of a social licence to operate, while not stated explicitly. Another example is SSAB and their focus on safety. It is mentioned in the interview that some customers require the company to keep below a certain maximum limit of working accidents in order to be considered as a supplier. However, based on the two examples, the social licence to operate can be argued to be more of a source of competitive *parity*, rather than competitive *advantage*.

Regarding competitive advantage from stakeholder relationships, a key component to each of the company's business strategy is being able to offer sustainable products. The offer of "sustainability" in the industry is primarily marketed as environmentally friendly products



which contribute to decreasing the customer's negative environmental impact, but sustainability is not achieved simply by being green. The entirety of the sustainability-concept incorporates more aspects. The companies' sustainability offer can be viewed from the perspective of stakeholder influence and the credibility stakeholders attribute to companies, as described by Barnett and Salomon (2012). Two examples found were Sandvik's business strategy to be a "sustainable business partner" and SSAB and their sustainable steel. In the case of SSAB, the S.D gives an illustrative example of the importance of incorporating all aspects of sustainability by explaining how the company cannot market their sustainable steel and at the same time be involved in bribery or have discrimination at their sites, whether it is in Sweden or internationally. This would result in SSAB losing credibility in the eyes of the stakeholders as a sustainable actor. If a company simply would focus on one aspect of sustainability, they would likely lose credibility in their sustainability, which, as demonstrated by Barnett and Salomon (2012), is instrumental in being able to leverage financial value from corporate sustainability

## 7.4 Measurement

### 7.4.1 Sustainability measures

The primary measurements that are mentioned are the different KPIs that the companies present in their sustainability report and sustainability indexes. Here the easiest quantifiable topics are presented, for example different measures of injury frequency and diversity regarding gender distribution. While these measures are quite simple and understandable, they are not unproblematic, since they fail to provide a more nuanced image of the state of social sustainability.

Apart from the company's own sustainability disclosures a majority of the companies also incorporate third party assessments. Examples of these assessments that are used internally are, Boliden's safety culture- and proactivity-indexes and Sandvik's ISO 14001 certification. By using employee surveys, the company can get an image of the values regarding, for example proactivity, on the different sites. This is a way of ensuring that the different managers enforce the corporate values throughout the entire organization.

Furthermore, it can be argued that proactivity measures are important from a financial perspective as it encourages proactivity. As Surroca et al. (2010) mention, investing in proactive social sustainability work improves outcomes and builds, for example, company credibility and

employer attractiveness. Also, the report by Rehnberg and Persson-Asplund (2020) provides evidence that proactive companies perform better financially than reactive ones.

#### 7.4.2 Financial measures

Regarding the financial measurement, the results show that, while all companies measure the financial value of sustainability in general, only Höganäs and SSAB measure it from social sustainability. This can be viewed in light of the different levels of financial performance presented in section 4.5. Using end-state metrics like accounting-based measures to calculate “green revenues” are already used and will become more important with the new EU-taxonomy. However, none of the interviewed companies use end state metrics to calculate *positive* financial effects of social sustainability. SSAB and Höganäs are the two companies that incorporate intermediary-outcome metrics. They state that they attribute financial values to social sustainability by its cost-avoiding capabilities. For example, the sustainability director of SSAB mentioned that it is very costly to perform poorly in the compliance aspect, which can be avoided by having good social sustainability performance.

The apparent difficulty in accurately capturing the more diffuse aspects of social sustainability, like diversity, provides further indication to the difficulty in attributing end-state metrics to social sustainability. Another complicating aspect of measuring the financial value of social sustainability is the ethical side to attributing financial value on the health and safety of the employees. All interviewees state that they view social sustainability as valuable to the company, but only the sustainability manager from Höganäs mention that it would be beneficial to express that value in financial numbers. The reasons for both measuring financial value and *not* measuring financial value can be explained by “management buy-in”. The interviewees that did not find it necessary stated that they already had management buy-in, while the interviewee from Höganäs thought it could be improved. It is important to mention that the interviewee at Höganäs addressed the diversity-aspect, rather than health and safety. Withthat said, no companies were actively opposed to positive financial KPIs. However, given the difficulty in creating such KPIs, working with the intrinsic values throughout the organization may be a more effective way to ensure a culture that values diversity and other aspects of improving the working environment. It can be argued that the choice not to develop end-state metrics also is a result of the value-based drive for social sustainability. If the company were to describe their social sustainability efforts in monetary terms, they could risk appearing overly strategic in the CS to their stakeholders, which could result in the company losing credibility, which in turn

could be detrimental to the financial potential of other sustainability efforts.

## 7.5 Resulting outcomes of sustainability efforts

In the results there was a clear connection between the strategic value of social sustainability and what successful social sustainability should result in. Corresponding to the importance of social sustainability as a tool for employer branding, the number of applications received was an indicator that the social sustainability effort had been successful. Similarly, achieving a sense of pride in the company from philanthropic endeavours as exemplified by Sandvik and their work with “Engineers without borders”, or other employee directed efforts resulting in an improved working environment, have clear connections to employee retention. It can be argued that efforts resulting in an increased sense of pride or other positive feelings towards the company are important in building *social capital* as described in Rehnberg and Persson-Asplund (2020). And, as stated previously, social capital can be seen as an important component in making sustainability profitable.

Another aspect of success was attaining good suppliers. This can be seen as an outcome of the stakeholder-relationship building value of social sustainability. For example, by having clear values that are enforced throughout the organization, the company can attract suppliers that identify with the same values and thus, the company may avoid misconduct throughout the value chain. For example, the use of child labour or conflict minerals. As sustainability becomes increasingly important, attaining sustainable suppliers will be even more crucial in order to supply a sustainable product. Thereby it can be argued that sustainable suppliers constitute a competitive advantage-generating resource, which further makes the case of the financial importance of social sustainability as a screening tool.

Aside from the difficulty in making a robust CS-CFP connection, the importance of being value-driven was emphasised. Boliden mentioned that it is important to be credible to the employees. Both Sandvik and SSAB mention the ethical issues in quantifying things like health and diversity, as the sustainability director of SSAB said, “how do you value a finger?”. This ties back to the previous discussion about the importance of not appearing overly strategic in the sustainability work in the eyes of the stakeholders, for example, the employees. In the example of employee-directed social sustainability efforts, it can be argued that in order for the effort to enhance the social capital, the strategy for improving the working environment must be value-driven. This is indicated by the example made by the safety director at Boliden that,

in order to have a good company-employee relationship, the management must show that they are engaged. Surroca et al. (2010) state that improved social sustainability performance can be achieved by investing in programs that encourage the involvement of employees which leads to strengthening the intangible assets workforce-loyalty and organizational culture. This further underscores the importance of genuine, value-driven efforts directed towards the working environment in order to leverage social sustainability for competitive advantage. It also indicates that there may exist a business value in philanthropic efforts like Sandvik's engagement in Engineers without borders.

The companies also view working proactively with social sustainability important in terms of risk reduction and reputation building. By working proactively and going beyond minimum requirements companies reduce potential legal and legitimacy risks. Viewed from the perspective of stakeholder influence, companies must follow the development of rising industry standards in order to retain good relationships with stakeholders, both internal and external. As mentioned by Boliden, future technological needs to effectively analyse and identify new areas of development will require more personnel with relevant competence. This once again underlines the importance of being an attractive employer and legitimate business partner in order to identify and prevent company risks.

## 8. Conclusions and suggestions for future research

### 8.1 Conclusion

In this thesis the aim has been to analyse how companies in the Swedish industrial sector (mining, metal- and steel-production) view social sustainability as value creating. The results indicate that all of the interviewed companies view social sustainability as value creating, however, not in the same way that they value environmental sustainability. While end-state metrics are attributed to environmental sustainability, the value of social sustainability is seen in mediating metrics in the form of, for example employee attraction, or in some cases, as cost-reducing intermediating metrics like avoiding legal costs. The reasons for not attributing end-state metrics of financial performance to social sustainability are: the difficulty in quantifying the financial benefit from social sustainability efforts, reluctance to do so based on ethical reasons, and they find it unnecessary (in the case of improving the working environment and safety) since it is already highly prioritized in the organizations.

The strategic value of social sustainability can furthermore be categorized into four main themes: employee attraction and retention, improved decision making, credibility to customers and the “social licence to operate”, and as a part of the entirety of corporate sustainability. The strategic value can be further motivated theoretically by using the RBV-theory and Stakeholder theory and view the themes in light of: their abilities to create intangible resources which contribute to competitive advantage, their importance in ensuring beneficial stakeholder interactions and relationships, and their capacity to improve the social capital of the company.

While the strategic value of social sustainability in the process industry may not be expressed in end-state metrics, the fact that major actors in the industry are aware of the potential for financial benefits cannot be contested. Although, especially in regards to working conditions, the primary motivation for the companies are not financial benefits but rather appears to be a genuine desire for providing a good workplace and having a good relationship with their employees.

## 8.2 Suggestions for future research

The results have provided new insights as well as new questions in both the aspect of the social sustainability of the company, as well as the profitability of corporate sustainability. As the Rehnberg Persson–Asplund (2020) report shows, the financial value of social sustainability can be formulated into end-state metrics. One of the major conclusions from that report was that the social capital of the firm played a major part in the operational efficiency and by extension, the profitability of companies. Based on this, future research could focus on mapping the social capital of companies and analyse the financial performance as a dependent variable of the social capital. This could be part of a larger research effort with the goal to develop positive financial KPIs connected to social sustainability, which is a field of research that appears to be in demand from the industry, as several of the interviewees expressed such KPIs as desirable and lacking. Regarding the general profitability of sustainability, the new EU-taxonomy will provide a foundation for several different research efforts. How will the accounting of “green revenues” affect the sustainability of companies? What kind of companies will be the winners and losers from the new taxonomy? What will the quantifiable effect on the actual sustainability of the companies be?

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# Appendix

## Interview guide:

### Område 1 – Generellt

- Godkänner ni att era svar spelas in?

Grader av anonymitet: godkänner ni att vi nämner er med namn och titel? Om nej, ok om vi nämner endast titel eller ansvarsområde/arbetsuppgift?

### Definiera Hållbarhet

- Vilka är ni och vad gör ni? Vad är X AB?
  - Hur togs dessa mål fram och vad har varit viktiga drivkrafter? Vilka interna och externa intressenter har påverkat er mest? Vilka tidshorisonter arbetar man med?
- De mest centrala intressenterna nämns tydligt i hållbarhetsrapporten, men finns det några övriga intressenter som har särskild påverkan på sociala aspekten av hållbarhetsarbetet?
  - Hur påverkas hållbarheten av att man är ett privat företag jämfört med när man var publikt?
- Finns det skillnader i hur ambitiös målsättning och implementering är internationellt (krav på efterlevnad)?

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### Område 2 - Management

- Hur adresseras det strategiska värdet av de sociala aspekterna speciellt?
  - Hur “intresserade” är ledningen och andra strategiskt ansvariga individer i utformningen av hållbarhetsstrategierna?
- Anser du att de sociala aspekterna av er hållbarhetsagenda är primärt filantropiskt eller strategiskt drivna? (filantropiskt = (good will) målet är inte att få pengarna tillbaka)
  - Hur påverkar hållbarheten individuell chefs beslutsfattande?  
(prestationsmätt för olika avdelningar eller är det koncernen som helhet som mäts)

### Område 3 – Mätning

- I hållbarhetsrapporten presenteras många KPIer relaterade till den sociala dimensionen av hållbarhetsarbetet. Finns det andra mätningar som ni använder internt men inte visar i hållbarhetsrapporten
  - Tar man hänsyn till tredjepartsuppfattning, genom exempelvis kartläggningar?
  - Sharing and comparing with other companies and business areas
  - Ser ni hållbarhet generellt som ekonomiskt värdeskapande och tillskriver ni det finansiella värdet (Ja/Nej)?
    - (Om nej) Varför inte?
  - Särskiljer ni de olika aspekterna av hållbarhet, och i sådana fall, sätter ni ett finansiellt värde på de sociala aspekterna av hållbarhet (Ja/Nej)?
    - Vad är den största utmaningen med att sätta ett finansiellt värde på den sociala hållbarheten? (Alternativt, största utmaningen med att attribuera finansiella resultat till individuella hållbarhetsinitiativ).
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### Område 4 - Resultat av hållbarhet

- Vad utgör ett “lyckat” socialt hållbarhetsprojekt enligt företaget? Filantropi
  - Hur viktigt är hållbarhetsarbete för företagets anseende generellt? (relaterar till uppfattad risk hos kunder, investerare och övriga externa intressenter)
- Upplever ni att hållbarhetsarbete har en “riskreducerande” effekt (rättslig risk, legitimitetsrisk etc. relationsskada med kund eller anställd)?
- Hur upplevs sambandet mellan CS-CFP internationellt, till exempel?
  - International regulations and rules
- Har projekt varit mindre framgångsrika? Varför?
- Finns det anledningar till att csp och cfp inte kopplas (mer)? kan det vara kontraproduktivt eller riskera att “hämma” nyttan med projektet? (good will?)
- Vad är den främsta drivkraften för den sociala hållbarheten och

vad finns det för potentiella bromsar (pengar, kunskap, materialitet, generell målsättning)?

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Avslutande frågor?

- Har vi missat något som du tycker att vi borde diskutera?
- (Om tid finns: Har projekt varit mindre framgångsrika? Varför?) Att tänka på:
  - Har vi missat något som du tycker att vi borde diskutera? fråga
  - Se till att vi förstår varandra när vi snackar om koncept
  - Fråga om tidshorisonter. Hur långa projekt är det vi snackar?