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The Role of the Management Accountant in the Early Implementation of CSRD

The Case of SKF

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Abstract

Introduction: The sustainability reporting landscape is being changed by a new EU directive known as CSRD. Its implications are still unknown as well as how companies are doing to handle such a transition. Therefore, the purpose of the thesis is to investigate how a management accountant is handling the implementation of CSRD through organization, communication, and performance measurements. It is also to investigate the rationales behind the choices made.

Frame of Reference: The tasks of the management accountant are expanded upon, especially in the area of implementing change and sustainability. When implementing change, there are specific aspects within the area of organization, communication and performance measurements to consider for those responsible.

Method: The thesis conducts as a single-firm case-study to investigate CSRD. It utilizes triangulation with interviews, observations, and document review. These findings are then discussed with relevant academic literature.

Findings: The analysis describes the empirical findings in chronological order to showcase a timeline of the actions taken in the CSRD implementation. It follows the structure of the report and showcases the chronological events in the areas of organization, communication, performance measurement and the rationales behind the choices made.

Discussion: The areas of organization, communication, performance measurements and rationales are discussed utilizing the academic literature. There are several nuances gained to each area as CSRD's complexity highlights issues both previously addressed and not addressed by literature. Overall, legitimacy theory and its concepts gain further support as it enables the events to be understood and theorized.

Conclusion: CSRD has great consequences for corporations and the responsible management accountant as they need to change how they operate with regards to organizational features, communication, and performance measurements. These areas are complex on their own and setting an adequate ambition is something which the corporation has to tackle, where organizational identity comes into place as a central component.

Keywords: CSRD, Sustainability Reporting, Management Accountant, Organization, Communication, Stakeholders, Performance Measurements, Resources, Legitimacy Theory, Legitimacy, Corporate Identity, Decoupling, Isomorphism

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1. Introduction

1.1 Background

January 2023 marks the introduction of the Corporate Sustainability Reporting Directive (CSRD), which is obligating all larger, listed companies within the EU to provide compliant sustainability reports in the fiscal year of 2024. The regulation replaces the earlier directive 2014/95/EU, also referred to the Non-Financial Reporting Directive (NFRD), and requires a substantial increase in the sustainability reporting demands from the companies impacted. The goal is to enhance the content, comparability, and usefulness of sustainability reports, with the assumption that this enhancement would empower companies to showcase their performance and identify sustainability-related risks, considering both the financial and societal impact perspectives. In addition, a unified set of standards, referred to as the European Sustainable Reporting Standards (ESRS), has been introduced as a central component in the implementation of CSRD in practice. Other companies, such as small-medium enterprises (SMEs), will be further impacted in 2025 and 2026 (European Commission, n.d; Swedish Financial Supervisory Authority, 2023a).

Similarly to sustainability reporting, the role of the management accountant has also developed over the last years, meaning new challenges and increased complexity. The development has resulted in management accountants becoming prominent actors in implementing and steering the company in the desired strategic direction, often entailing oversight of the necessary changes (Gond, et.al., 2012; Schaltegger et.al, 2022; Burritt, Schaltegger & Christ, 2023). Therefore, the management accountant plays a vital role in both managing the internal agenda, fostering the development of the existing organization and performance measurements (Crutzen, Zvezdov & Schaltegger, 2017), and managing external pressures, such as the new regulations and different stakeholders' expectations (Contrafatto & Burns, 2013). Moreover, they are also involved in internal and external communications of these efforts (Chenhall & Langfield-Smith, 1998; Fatima & Elbana, 2023; Beusch et.al. 2022). The role of management accountant has thus evolved from its traditional internal focus on earning management and financial performance (Burritt et.al, 2023) to encompass a broader emphasis on sustainability performance (Beusch et.al, 2022). While the traditional role has been extensively researched, the link between management accountants' work and pressures coming from the various external stakeholders has been less explored (Rajeevan, 2019).

To explore such links, the analysis of the underlying rationales behind the choices made by a management accountant is relevant, and in this field, scholars have used different theoretical approaches (Soewarno, Tjahjadi & Fithrianti, 2019; Hummel & Schlick, 2016). One such theory is legitimacy theory (Meyer & Rowan, 1977), which has been developed over time, thus containing a broad area of angles and perspectives, including legitimacy, decoupling, and isomorphism (Patten, 2020). Legitimacy suggests that the decisions made by a management accountant is related to the corporate need to become legitimate and accepted by society (Meyer & Rowan, 1977; Brown, 1997; Juusola & Srouji, 2023). The choices of the management accountant can also be guided by the corporate identity, which potentially helps companies to gain legitimacy if the corporate values are aligned with the societal values (Soewarno, et.al., 2019; Dowling & Pfeffer, 1979). However, legitimacy theory further suggests that there is a

risk of decoupling the sustainability impact from the sustainability reporting in order to minimize the efforts to gain legitimacy (Hummel & Schlick, 2016; Meyer & Rowan, 1977). Moreover, the theory also connects the management accountant's actions, which are based in the corporate strategy, to isomorphism, by discussing how they are impacted by outside pressure or uncertainty in their actions (DiMaggio & Powell, 1983; Gao, 2010, Korca, Costa & Farneti, 2021; Adnan, van Staden & Hey, 2014; Fitriyasi & Kawahara, 2018).

1.2 Problem Discussion

The changing role of a management accountant in the context of sustainability accounting regulation, entails that the complexity of choices made by management accountants is increasing. Moreover, earlier research indicates that implementing new sustainability legislation is a time and resource consuming process (Usmani, Davison & Napier, 2020). Authorities have estimated that CSRD will significantly affect the workload in companies (Swedish Financial Supervisory Authority, 2023a). However, the extent of resources required for CSRD implementation remains unknown, and research on the implementation of the earlier Non-Financial Reporting Directive (NFRD) has also lacked a shared understanding of the implementation process (Lombardi et al., 2021). Scholars have predominantly focused on the overarching effects for companies and the legislation itself (Korca et.al, 2021; Breijer & Orij, 2022; Aluchna, Roszkowska-Menkes & Kamiński, 2023), rather than the practical work of those responsible to ensure compliance. There is therefore a notable research gap considering CSRD and its implementation, particularly regarding how management accountants handle the challenges posed by new sustainability regulations when they are in charge of sustainability implementation efforts (Burritt, et.al, 2023; Crutzen et.al, 2017).

Furthermore, it is of interest to explore how the management accountant's role is affected by CSRD, considering that this role has been constantly evolving, particularly in response to changing legislative demands and stakeholders' expectations (Crutzen et.al, 2017; Schaltegger et.al, 2022; Burritt, et. al., 2023). Prominent areas for studying the changes in the management accountant's role and work, either specifically or holistically, include organizational aspects, communication aspects, and performance measurements (Contrafatto & Burns, 2013). Previous research has commonly explored how management accountants work with significant changes, such as new legislation or strategic initiatives, often examining them at a more general level in the form of projects (Chenhall & Langfield-Smith, 1998; Appelbaum et.al, 2012). Thus, studying how management accountants handle CSRD has the potential to provide further insights into the areas of organizational aspects, communication aspects, and performance measurements, while also offering a more general understanding of the implications of CSRD.

Importantly, the academic discussions have not solely focused on the management accountant's role and work but also on the rationales behind their choices and actions regarding sustainability and its reporting efforts. Insights from legitimacy theory have been particularly useful (Meyer and Rowan, 1977; O'Donovan, 2002; Juusola & Srouji, 2023; Hummel & Schlick, 2016; García-Sánchez, et.al., 2022). However, it is worth noting that the theory has faced some criticism for its narrowness in explanations (Spence, Husillos & Correa-Ruiz, 2010) and concepts (Gray & Bebbington, 2007). This criticism has resulted in other theories becoming more frequently used by scholars in modern journals (Cho et.al, 2015; Patten, 2020). Although

this viewpoint is solid scholars have also argued that the critique is unfair as the new concepts and explanations often overlap with those of legitimacy theory, thus meaning that its relevance is still high (Patten, 2020). Our thesis therefore contributes to the theoretical discussion by utilizing legitimacy theory and see how its key concepts can aid in explaining the rationales behind the management accountant's work during the early stage of the CSRD implementation. By doing so the thesis can fill the research gap of motivations of CSRD actions whilst also contributing to a broader academic discussion.

1.3 Purpose and Research Questions

The purpose of this thesis is to investigate the management accountant's role and work in the early stage of implementing CSRD. This will be investigated through the areas of organization, communication, and performance measurements as these areas have been frequently investigated by scholars in implementation studies. The thesis will also investigate the company's and the management accountant's rationales behind the decision and processes made connected to CSRD.

The purpose is addressed through the following research questions:

- A. *How is the regulatory change following CSRD handled by management accountants in a Swedish listed large manufacturing company in the early stage of implementation, with regards to organization, communication, and performance measurements?*
- B. *What are the rationales behind the choices made in the early stage of the implementation of CSRD?*

2. Frame of Reference

This section starts with an overview of significant regulatory initiatives needed for understanding of the context surrounding the studied company. This overview also presents the key concepts related to the sustainability reporting regulation and outlines the recent regulatory shift from soft NFRD to a much more demanding CSRD. It is followed by the overview of previous research focusing on implementation of sustainability reporting, with emphasis on the management accountant's role and work in the areas of organization, communication, and performance measurements. Moreover, the theoretical perspective useful for the analysis and understanding of the rationales behind the choices made by the management accountant when implementing CSRD are presented, with a focus on legitimacy theory. The different parts of the framework are finally integrated into the study's analytical model, linking together the research questions and the different components of the frame.

2.1 Regulation of Sustainability Accounting and Reporting

2.1.1 Directive 2014/95/EU: NFRD

The regulatory landscape of sustainability reporting was mainly voluntary before directive 2014/95/EU, which was also referred to as the Non-Financial Reporting Directive (NFRD). NFRD stated that public-interest companies with more than 500 employees shall submit a report disclosing their non-financial efforts in a sustainability report, which shall be a component of the company's annual report. Each member state was entitled to implement the directive into their own national legislation which allowed for some own interpretations and modifications, such as the determining the threshold for the affected companies. It also recommended that standards issued from the UN Global Compact, OECD Guidelines, ISO 26000 or Global Reporting Initiative (GRI) could be used to develop compliant disclosures. These disclosures would therefore have performance measurements and explanatory text regarding the corporation's effect on the environment, social issues, personnel health and safety, human rights, and their policies to counteract corruption (European Union, n.d).

In Sweden, the threshold of NFRD affected companies was lowered. Those legally obliged to disclose sustainability reports were thus those who had fulfilled three specified requirements over a two-year period. The requirements were a minimum of 250 employees on average, at least 175 million SEK in total assets and at least 350 million SEK in revenue. There was no modification regarding the recommended standards given by the EU (Swedish Financial Supervisory Authority, 2018, FAR, n.d).

2.1.2 Directive 2020/852: EU Taxonomy

In addition to NFRD, the directive 2020/852, also known as the EU Taxonomy, introduced requirements for sustainable investments and acts as a complement to existing legislation in place. The EU Taxonomy serves to aid investors in decision-making for sustainable capital allocation and investments. This means that companies already obliged to disclose a sustainability report also need to disclose how they are affected by the EU taxonomy and their efforts and alignment regarding the directive. The directive entered into force on January 1st 2022 and is still in place as of 2024 (Swedish Financial Supervisory Authority, 2023b).

The taxonomy involves four overarching areas. First, it needs to significantly contribute to the one or more of six outlined sustainability goals which are limiting climate change, adaptation to climate change, sustainable consumption and use of water and marine resources, transition to a circular economy, prevention and control of pollution and protection and restoration of biological diversity and eco-systems. Secondly, whilst contributing to one or more of the six goals the company simultaneously needs to not contribute harm to either of the other goals in their process, meaning that progress in one area cannot come at the expense of another. Thirdly, they need to assure compliance with specific minimum criteria related to social sustainability such as UN human rights and international labour law. Lastly, the company also need to fulfil and adhere to certain detailed demands related to sustainability which are referred to as technical disclosure criteria. These criteria are dependent on the characteristics of the company as they assess if an organization is actively contributing or causing significant harm to the said environmental goals. These technical discourses are provided by further in-depth EU legislation (Swedish Financial Supervisory Authority, 2023b).

2.1.3 Directive 2022/2464/EU: CSRD

2.1.3.1 General Implications

Directive 2022/2464, referred to as CSRD, replaces the directive 2014/95/EU, NFRD, significantly sharpened the requirements, aiming at increasing the comparability, transparency, quality, and relevance of corporate sustainability reports thus further aiding stakeholders to allocate resources to sustainable companies and investments. According to Swedish Financial Supervisory Authority (2023a), the CSRD will also assist companies internally to identify sustainability-related risks that they are exposed to. The legislation is affecting listed companies with more than 500 employees and larger corporations exceeding 250 employees, 40 million Euros in revenue and 20 million Euros in total assets. In the coming years, it will involve listed small and medium enterprises and global entities that exceed 150 million Euros in revenue and has at least one significant subsidiary in the EU. The regulation is therefore not entirely limited to corporations operating on EU regulated markets (Deloitte, n.db; Swedish Financial Supervisory Authority, 2023a; FAR, n.d).

This CSRD has a gradual implementation schedule over time with those previously affected by NFRD, the listed corporations with at least 500 employees, are affected the 1st of January 2024. Larger entities fulfilling the size requirements will be affected the 1st of January 2025 while listed small and medium enterprises will be affected the 1st of January 2026 (Swedish Financial Supervisory Authority, 2023a; FAR, n.d; Deloitte, n.db). Compared to Sweden's previous implementation of NFRD, the workload and scale of the reporting process is expected to increase severely (KPMG, n.d; Swedish Financial Supervisory Authority, 2023a). The extended workload has thus led the EU to allow for relaxation regarding some disclosures for the initial three years for listed corporations (European Union, n.d).

To achieve comparability and credibility of sustainability reports CSRD brings a new set of standards known as the European Sustainability Reporting Standards (ESRS). There are twelve standards, all developed and issued by European Financial Reporting Advisory Group (EFRAG) (Swedish Financial Supervisory Authority, 2023a). It is worth noting is that EFRAG has collaborated with both the International Sustainability Standards Board (ISSB), and the

Global Reporting Initiative (GRI) in the process standards development. Therefore, ESRS is partly aligned with the previously institutionalised international standards for sustainability reporting. Furthermore, CSRD aligns with the earlier EU legislations such as EU climate law and the EU Taxonomy, with the classification system and found in the taxonomy directive being legislation that corporations also need consider besides the new ESRS (EFRAG, n.d). Hence, the new regulation is, to some extent, built on the previously developed frameworks for sustainability reporting, implying that companies with prior experience in voluntary sustainability reporting might already have some practical knowledge related to the components required by CSRD.

2.1.3.2 Overview of ESRS

The twelve standards of ESRS are structured with two that are crosscutting which are ESRS 1, regarding general requirements, and ESRS 2, regarding general disclosures, which together acts as a conceptual framework and guidance for the remaining ten standards. These remaining ten are denoted as topical standards and addresses specific matters in the areas of environment, social impact, and corporate governance. The topical standards regarding environment are five in total which are ESRS E1 Climate Change, ESRS E2 Pollution, ESRS E3 Water and Marine resources, ESRS E4 Biodiversity and Ecosystems, and lastly ESRS E5 Resource use and Circular economy. The social ones are four in total and involve ESRS S1 Own workforce, ESRS S2 Workers in the Value chain, ESRS 3 Affected communities and ESRS 4 Consumers and End-users. The last and only one for governance is ESRS G1 Business conduct (EFRAG, n.d). Each topical standard therefore has its own set of required datapoint and narratives which the company needs to disclose if it is determined as material. To determine if a topical standard is material, it must pass the materiality assessment described in ESRS 1. Worth acknowledging is that some of the topical specific datapoints and narratives utilize the same requirements as those issued by the earlier guiding frameworks of NFRD, such as GRI. Meanwhile some others have been completely developed from scratch. It is therefore important to consider the legislation as completely new requirements, but there are some similarities with earlier requirements found in NFRD's suggested guiding frameworks (EFRAG, n.d).

2.1.3.3 ESRS 1 and Its Key Aspects

ESRS 1 concerns general requirements and thus touches upon key aspects such as materiality, sustainability due diligence, and the value chain approach. It is also offering information regarding qualitative characteristics of information, presentation and structure of sustainability statements, time horizon, linkages to other areas of sustainability, and transitional provisions. Materiality involves what information shall be disclosed in corporate sustainability reports. ESRS develops this concept by issuing double materiality. This means that corporations shall disclose information if it regards impact materiality or financial materiality or both (EFRAG, 2023).

The definition of impact materiality is that a topical standard is material if a company's action has resulted in, or potentially can result in, positive or negative consequences for people or the environment in the short-, medium-, or long-term. This impact materiality definition is furthered applied to the corporation's value chain, meaning that the definition of impact materiality is not only to the company's own operations but also its upstream and downstream

value chain. The value chain meaning those who have a connection with the company's products, services, or central business relationships (EFRAG, n.d). The definition of financial materiality is that a topical standard is material if that sustainability matter has resulted in, or potentially can result in, risks or opportunities for the firm's development, financial position, financial performance, cash flow, finance options and cost of capital in the short-, medium-, and long-term (EFRAG, 2023).

The materiality assessment will thus aid corporations regarding what topical standards they shall disclose. If considered material the company will thus provide the required datapoints, narratives, policies, actions, and targets. However, if a topical standard is not deemed as material the company shall still showcase an explanation how such a decision was made and the arguments for that conclusion. Companies therefore needed to either disclose or explain their sustainability performance and efforts as of the introduction of CSRD (EFRAG, 2023). There is also the important addition, stated in ESRS 2, that information regarding ESRS E1, ESRS S1 and other required datapoints specified other EU environmental legislation are always to be considered material (EFRAG, n.d).

Worth noting is that the EU has acknowledged the increased workload and will thus allow some relief regarding unavailability of certain information for listed companies the initial three years of the legislation's entering into force. If a company does not have the required information provided for these next three annual reports, there are thus no legal issue currently if information regarding how such gaps are to be solved and the progress of such efforts are disclosed. Therefore, ones again emphasizing that companies shall either disclose or explain (EFRAG, n.d).

2.1.3.4 ESRS 2 and Its Key Aspects

ESRS 2 concerns general disclosures and is likewise to ESRS 1 cross-cutting for all standards. The standard emphasizes disclosures of how the firm embeds sustainability into its operations with regards to strategy and business model. It therefore requires companies to provide an explanation in greater detail of how sustainability is implemented in the firm. The standard contains four pillars which are governance, strategy, impact risk and opportunity management as well as metrics and targets. All areas have a further description on what shall be included but all of them generally revolve around disclosing how the sustainability is incorporated on a top strategic level and how such risks and opportunities are planned to be carried out (EFRAG, n.d).

ESRS 2 also involves appendixes ranging from A to E which acts as a navigational tool to identify relevant datapoints when an issue is not directly subject to materiality assessment meaning that the event is not fully covered by the topical standards. It also has the important addition that ESRS E1, ESRS E2 and other EU environmental legislation shall always be regarded as material (EFRAG, n.d).

2.2 Early Implementation by the Management Accountant

2.2.1 Organization

The definition of management accounting has been referred to as tools that managers use in order to steer the organization in accordance with the set strategies and values (Simons, 1995).

The role of the management accountant has focused on strategies and management controls connected to earnings management (Baraibar-Diez, Odriozola & Sánchez, 2019). This traditional view has further been focusing on accounting-based tools to control the organization and workflows (Langfield-Smith, 1997). However, over time the role of the management accountant within an organization has expanded, focusing on a wider set of areas, which has forces them to reshape their role and position within the organization, thus also involving impacts on the organizational structure.

One area in which the management accountant's role has expanded upon is the area of sustainability. Some scholars suggest that it has been difficult for companies to fully integrate their sustainability efforts, which has pushed sustainability into a side track within the organization (Baumgartner & Rauter, 2017; Gond, et.al., 2012). In order for sustainability to become an integrated part within the organization, other scholars therefore suggest that companies should have a management accountant in charge of the sustainability efforts in order to implement change within the area and account for sustainability within their management control (Burritt, et.al., 2023; Crutzen et.al., 2017). Other scholars have further connected the management accountant's role to sustainability reporting, suggesting that a management accountant should be in charge of the process for the reporting as well (Chenhall & Langfield-Smith, 1998; Garvin & Roberto, 2005).

Another area in which the management accountant has been suggested to have a great influence is in the implementation of change. Some scholars agree that the management accountant should have a prominent role in the organization in order to drive change forward (Chenhall & Langfield-Smith, 1998). Although several studies agree that the management accountants' role and position is important in order so steer a change forward, some scholars further suggest that the management accountant needs help from other parties of the organization. Some studies suggest that the management accountant needs help and support from managers in other parts of the organization for the change to be fully integrated (Chenhall & Langfield-Smith, 1998), while others suggest that the management accountant should have a supporting group that further helps them in the implementation of change (Appelbaum, et. al., 2012).

This suggestion has been further expanded upon with the discussion regarding what qualities the members in this group should have. Some argue that the group should consist of people with great knowledge and influence, highlighting that the members influence is of most importance (Lines, 2007). Others rather argue that the management accountant in charge should create a group consisting of management accountants, who can help them in the implementation. For sustainability reporting, this involves having a sustainability reporting team responsible and therefore enable them to change organizational structures (Contrafatto & Burns, 2013). Another organizational aspect that can impact the management accountant's ability to implement change is how adaptive the organization is. Some scholars suggest that it is vital to have a dynamic organization that is prepared for changes (Hatch & Nilsson, 2000). Moreover, it has been argued that companies are in a constant motion of change, as the environment they are in is constantly changing. This means that you don't have static processes and performance measures, but rather have an open environment where you are able to adapt to new changes and differences (Johansson & Siverbo 2009).

The relationship between the management accountant with the managers and accountant has further been discussed as an organizational factor impacting the management accountant's implementation efforts. One argument is that the management accountant needs a shared view and supportive relationship amongst the managers and accountants to achieve organizational change. Support by the senior managers can further promote the team to take part of the development (Chenhall & Langfield-Smith, 1998). There is also a need of appropriate governance from the management team to guide the organization into a sustainable transformation (Sancak, 2023).

As the management accountant role is evolving, there has further been a discussion regarding the personal abilities and qualities of the management accountant. One prominent argument regarding the management accountant's implementation of change, is that they should have leadership abilities, rather than only manage the change. This means that they should be able to drive the change forward rather than only maintain the status quo (Caldwell, 2003). It has further been suggested that the management accountant should have an understanding of the organizational values and structure (Crutzen, et.al., 2017). As the management accountant's role is further reaching the field of sustainability, it has also been suggested that the management accountant should have an understanding for sustainability measures and controls in order to support the sustainability and economic direction of the company. They should further be able to motivate the employees into making sustainable improvements (Burritt et.al., 2023).

A further area in which the scholars have argued for the management accountant to consider is how they should manage the implementation. One suggestion is to make proper preparations prior to the change. These preparations include identifying the key actors that will be impacted by the change and to what degree the change will impact the organization. It has further been suggested that the actors involved with the process should be able to provide feedback before implementing the change with documentations of opportunities and threats (Misra, Kumar & Kumar, 2006). Another prominent argument is the notion to adapt an established vision and strategy for the project. Otherwise, there is a risk of confusion within the organization, where they adapt contradictory solutions, leading to the wrong results, or no change (e.g. Appelbaum et. al., 2012; Whelan-Berry & Somerville, 2010). Others further highlight that the vision and strategy adapted must be clear and easy to understand, otherwise there might remain confusion in the organization (Wright & Thompsen, 1997). Moreover, in order to minimize confusion for the people involved, it has been argued to have a clear structure and roles, so everyone knows what is expected by them (Crutzen, et.al., 2017).

It is stated that recognizing progress related to the long-term goal is critical for the change to be successful (Kotter, 1995). It has therefore been suggested for the management accountant to adopt short term wins throughout the process (Appelbaum, et.al., 2012). By breaking down the overall long-term goal into smaller ones and acknowledge when such are passed, thus resulting in short-term wins, has therefore been a suggested approach (Pietersen, 2002). Acknowledging the short-term wins further offers reassurance of the long-term objective (Marks, 2007), builds momentum in the ongoing process (Pietersen, 2002) whilst also aiding in removing obstacles related to the organizational change process (Drtina, Hoeger & Schaeue, 1996).

2.2.2 Communication

Another crucial component for the management accountant regarding implementation and organizational change, especially regarding sustainability efforts, has been to communicate such in an efficient manner to the organization (Contrafatto & Burns, 2013; Usmani, et.al., 2020; Beusch et.al, 2022). A central debate amongst scholars has been internal stakeholder incorporation and how such should be conducted, as it has been argued to remove barriers to organizational change (Lozano, 2013) and should thus be prioritized in terms of communication aspects to achieve successful implementation (Fatima & Elbanna, 2023). Some has formulated internal stakeholders as one unanimous group (Welch & Jackson, 2007; Kalla, 2005) meanwhile others have separated them depending on the hierarchical level (Steyn & Puth, 2000). There has also been the argument that communication should be adapted to individual preferences of all internal stakeholders, as such efforts has shown great organizational benefits (Bartoo & Sias, 2004; Clampitt & Downs 1993; Dawkins 2004). This argument has gained further support as it has shown to increase internal stakeholders' motivation and engagement with organizational change (Sutton, le Roux & Fourie, 2022).

Besides the discussion regarding the extent of internal stakeholder communication, it has also been stated that the way the management accountant communicates the implementation process is of great importance. One overarching argument for all communication aspect has been that there needs to be developed a clear vision or unified goal of the implementation (Kotter, 2007; Schaltegger & Burritt, 2015). Regarding sustainability, it has been argued that visions or overall strategic ambitions should incorporate external sustainability drivers affecting the firm are highlighted the goal even further (Beusch et.al, 2022). It is also of importance that such visions or strategic communication aspects by the management accountant and the organization is not communicated in isolation from existing practices (Contrafatto & Burns, 2013).

Another common agreement amongst scholars is that the communication shall be frequent, active, and clear with internal stakeholders (Chenhall & Langfield-Smith, 1998; Kotter, 2007; Neves & Eisenberger, 2012; Schaltegger & Burritt, 2018; Sutton et.al, 2022; Beusch, et.al., 2022). However, there has been some additional arguments regarding how such communication shall be handled by the management accountant. There are those who stress the importance that top management's communication is strong and guiding (Neves & Eisenberger, 2012) meanwhile others have argued that the communication shall involve a mix of organizational layers and departments to mitigate confusion and assure alignment (Beusch et.al, 2022). There has also been those emphasizing that communication channels are mixed to improve communication further, meaning that the way of communication is not limited to one specific channel but rather incorporate a wide approach of efforts. These efforts are then suggested to be training of personnel instead of just internal meetings and newsletters (Fatima & Elbanna, 2023).

However, although this communication is stated to increase implementation efforts, there are still several issues amongst employees that can hinder the implementation efforts. The main hinders being a feeling of lost belonging, lack of time, and failure to understand individual task (Lozano, 2013), which can further lead to the risk of spread in misunderstood and false information (Shchetinina, et.al., 2023). Since lack of clarify has shown to undermine

implementation efforts (Kotter, 2007), it is thus not solely important for the management accountant how to develop their communication efforts but also to look at signs indicating lacking clarity throughout the implementation.

2.2.3 Performance Measurements

Another aspect of organizational change with regards to sustainability reporting is that the management accountant needs to develop new tools, such as performance measurements, to achieve the desired change (Contrafatto & Burns, 2013). Especially since old routines and structures tend to be greatly intertwined in the organization (Beusch et.al, 2022) which therefore makes communication initiatives insufficient on its own to enable organizational change it (Kotter, 1995). However, formulating new performance measurements is a complex area for the management accountant and has been greatly debated by scholars.

One of the main areas of debate in sustainability reporting prior and during directive 2014/95/EU, NFRD, was materiality and how to determine material aspects, meaning what sustainability matters the company shall disclose in their sustainability reports. A common argument was that NFRD's materiality definition was too vague (Baumüller & Sopp, 2022; Raith, 2023). The directive's prominent guidelines, such as those issued by GRI, regarding materiality were inconsistent and contradictory to other organizations, such as SASB and IIRC, recommendations (Raith, 2023; Jørgensen, Mjøs & Pedersen, 2022). An illustration of such inconsistency was that GRI's defined materiality as sustainability matters which have a significant impact on stakeholders meanwhile SASB's definition stated that it must be likely to affect financial performance to be considered material (Jørgensen, et.al., 2022). This lack of a clear definition created inconsistent sustainability reporting where performance measurements could not be compared as different conclusions had been drawn and different sources of information had thus been used (Raith, 2023).

To tackle these issues, a common practice was thus to embrace double materiality, meaning that several definitions were considered and that companies disclosed information found in multiple suggested guidelines issued by different organizations (Jørgensen, et.al., 2022). Although this led to partial increased clarity of a materiality definition it created other challenges of increased costs which became problematic for companies (Baumüller & Sopp, 2022). Others have also argued that double materiality remained ambiguous and that its definition still was a fragmented landscape for European firms (De Cristofaro & Gulluscio, 2023).

There were also other issues, in NFRD, involving the suggested standards such as those issued by GRI. One issue being that they were too open to interpretation thus creating issues for comparability and accounting quality (Milne & Grey, 2007), leading researcher to call for increased focus on legislation making sustainability performance measurements more useful (Chiu, 2022). These drawbacks alongside the additional complexity that of double materiality brings, where more information needs to be considered, has led scholars questioning double materiality. Scholars have even stated that it should be reversed back to single materiality for sustainability matters (Abhayawansa, 2022). This argument gained some additional traction in the last period of NFRD being in force, as scholars found that a majority of European companies

which adhere to double materiality failed to comply with the revised and suggested guidelines for CSRD set by EFRAG (Correa-Mejía, Correa-García, & García-Benau, 2024).

This uncertainty regarding materiality is not solely limited to mandatory European legislation, as researchers have found that similar inconsistencies have been prevalent in voluntary ESG ratings reporting as well (Garst, Maas, & Suijs, 2022). ESG ratings being that a company's disclosed sustainability efforts are assessed by third parties resulting in an index for guiding the capital market to sustainable investments (Deloitte, n.da). Reactions and behaviour from companies to their own ESG ratings has thus varied, leading researchers to question its usefulness for sustainability performance (Clementino & Perkins, 2021). This illustrates that a key problem for management accountants has been to determine material aspects for both mandatory and voluntary sustainability reporting efforts.

A smaller debate, partly connected to materiality, amongst scholar has been the problem for management accountants to define and determine the extent of the information in the disclosures as the suggested standards offer lacking guidance (Milne & Grey, 2007). Prior literature has stated that the management accountant shall define the scope to micro-, meso- and macro-level to fully capture relevant information for reporting (Schaltegger et.al, 2022). Popular areas which therefore has been included in the scope have been the organization's supply chain, which definition has varied, planetary boundaries, and the United Nations sustainability development goals (Burritt et.al, 2023).

A final set of problems discussed for the management accountant have been connected to the practicalities of developing performance measurements. One area being to collect and analyse sustainability data, where researchers have stated that a prerequisite, to capture such data correctly, is that the management accountant understands the related topic both scientifically and socially (Schaltegger et.al, 2022). Another area being data estimations where methods such as the EU's GHG protocol scope 3, (Burritt et.al, 2023) and backcasting to enable benchmarks (Schaltegger et.al, 2022) has been stated to be essential to the management accountant's expertise. Regardless of how the data is collected or estimated an overarching problem for the management accountant to handle has been argued to assure adequate IT capabilities. Researchers state that sustainability related data shall be stored in separate IT systems or unique databases (Contrafatto & Burns, 2013). This is drawn upon as earlier research regarding legislative transitions, such as the change to IFRS, indicated that great IT capabilities have been essential for successful adoption (Nguyen, Chen & Nguyen, 2021). There is also the area of developing internal controls for the sustainability performance measurements. Which is stated to be a relatively new area for the management accountant as such practices rarely have been found in in research (Rafi et.al, 2019 DeSimone, D'Onza & Sarens, 2021).

2.3 Rationales of Choices

A largely debated area amongst scholars during NFRD was its influence on accounting quality (Fiandrino & Tonelli, 2021; Radu, Dragomir & Hao, 2023) especially as aspects of materiality and suggested guidelines were seen to be inconsistent leading to similar inconsistent sustainability reports (Raith, 2023; Jørgensen, et.al., 2022; Milne & Grey, 2007). This led scholars to argue that the directive caused increase in greenwashing or misleading efforts (Fiechter, Hitz & Lehmann, 2022; Roszkowska-Menkes, Aluchna, & Kamiński, 2024) whilst

other argued that it reduced such efforts as the legislation became stricter (Eliwa, Aboud & Saleh, 2023; Garcia-Sanches, et.al., 2022). However, a further discussion was regarding why these actions were pursued by those affected by NFRD, leading to an academic discussion of motivations behind sustainability reporting efforts. A frequently used theory, alongside its theoretical developments, has been legitimacy theory by Meyer and Rowan (1977) (Burns & Scapens, 2000; Usmani, et.al., 2020; Patten, 2020; Garcia-Sanches, et.al., 2022). A prominent argument for the use of the theory has been that its fundamental concepts such as legitimacy, isomorphism, and decoupling explain organizational behaviour which scholars have developed upon further as time has progressed. This means that several theories and findings in modern research refers to its foundation and such concepts either directly or indirectly explain why organization act in a certain way (Patten, 2020).

One of its major explanations is that organizations conform with institutional rules to gain legitimacy and resources, thereby ensuring their own survival (Meyer & Rowan, 1977). An academic discussion surrounding legitimacy and its definition has been prevalent. It has been argued to be that the organization is accepted by society (Brown, 1997), gaining social acceptance by adhering to certain values or norms which are considered as taken for granted in society (Carroll & Hannan, 1989) or showing compliance with societal values, norms, rules, and meanings (Hirsch & Andrews, 1984; Ruef & Scott, 1998). Legitimacy has also been argued to be that the organization showcase that they are qualified by displaying desired skills, knowledge, and competence (Lawrence, 1998) or that the generalized societal perception that the organization's actions are desirable, proper, and appropriate (Suchman, 1995). Legitimacy has been further developed by scholars claiming it also regards organizational reputation or image (Deephouse & Carter, 2005) thus connecting it to have a desired corporate identity (Soewarno, et.al., 2019; Dowling & Pfeffer, 1979; Tourky, Kitchen & Shaalan, 2020) or perception by their stakeholders (Albert & Whetten, 1985).

Besides the discussion what kind of legitimacy organizations seek, it has shown to drive organizational behaviour further. Seeking legitimacy, alongside its benefits, has been found to result in corporate actions of building new organizational features as the legitimacy context changes (Juusola & Srouji, 2023) or develop the existing routines (Burns & Scapens, 2000; Al-Abrow, Ali & Alnoor, 2022). It has also shown to increase organizational focus to legitimacy central topics, such as sustainability (Sharma, 2000). To make such actions has proven essential as scholars have found that the legitimacy context, regardless of definition, changes over time (Edelman, 1992). This notion has been developed upon as other found that changing legitimacy context made corporations act to not solely gain legitimacy but also to maintain it or repair it (O'Donovan, 2002).

However, the benefits that legitimacy brings has not always resulted in organizational improvements or adherent actions but rather only giving the perception of such efforts. This separation of formal and informal practices is known as decoupling (Mayer & Rowan, 1977), thus disguising poor sustainability efforts to maintain legitimacy benefits (Hummel & Schlick, 2016). In sustainability reporting decoupling acts has been discussed and developed in greater detail various aspects by scholars. Some argued that it is the presence of significant difference between symbolic practices and actual practices, thus illustrating it at a strategic level

(Roszkowska-Menkes, et.al., 2024). Other have stated it to be misalignment of implementation and incorporation of sustainability matters into the core business (Liu, Li & Meng, 2023) or into business activities (He, et. al., 2023). There has also been the argument that the sustainability claims are not the same as the showcased performance (Gull et.al, 2023; Garcia-Sanches, et.al., 2022). It has also been stated to be more organizational as the separation of internal and external processes related to sustainability (Contrafatto & Burns, 2013) or great differences in internal and external sustainability performance measurements (Gebhardt et.al, 2022). One can thus understand sustainability decoupling as a wide area of action, where sustainability is not acted upon in a serious manner, which often stems from lacking legislation in place (Fiechter, et.al., 2022; Roszkowska-Menkes, et.al., 2024).

It can be argued that one motivation explaining organizational actions is due to uncertainty on how to respond (DiMaggio & Powell, 1983). When regulations and the surrounding environment changes, a common solution among companies has been to find inspiration from other organizations. The phenomenon of mimicking other organizations in their actions has been referred to as mimetic isomorphism, meaning that companies mimic each other's actions and choices in order to find a proper solution (DiMaggio & Powell, 1983; Gao, 2010; Korca, et.al., 2021). Some further argue that companies are drawn to the solution due to its simplicity and efficiency (DiMaggio & Powell, 1983), or due to its financial advantages (Gao, 2010).

Moreover, other studies have found that the main factor impacting a company's sustainability reporting quality has been due to social pressure and norms developed by a group from professional groups (Martinez-Ferrero & Garcia-Sanchez, 2017; Adnan, van Staden & Hey, 2014). These norms can arise in different ways, but often arise from knowledge maintained from a formal education or professional network (DiMaggio & Powell, 1983) and has often been referred to as normative isomorphism (Martinez-Ferrero & Garcia-Sanchez, 2017; DiMaggio & Powell, 1983).

Others argue that a company's actions after the introduction of a regulation is only due to the enforcement and restrictions of the new regulation. This notion is commonly referred to as coercive isomorphism (DiMaggio & Powell, 1983). There have been studies showing that the introduction of sustainability reporting laws has led to an increase in sustainability focus among companies (Fitriasari & Kawahara, 2018; Stefanescu, 2022). In fact, it can be argued that the main factor impacting the choices made by companies is due to coercive pressure (Yusoff, et.al., 2019). Others argue that in order to understand the motivations behind how an organization respond to a new sustainability reporting regulation, coercive isomorphism might provide a too simple explanation (Martinez-Ferrero & Garcia-Sanchez, 2017), as previous sustainability reporting legislation was not clear and specific enough. Thus, forcing companies to find other solutions (Korca, et.al., 2021).

Worth acknowledging is that legitimacy theory on an overall level has faced criticism. Some scholars have argued that the theory limits itself to narrow explanations (Spence et.al, 2010) and narrow concepts (Gray & Bebbington, 2007) which are dependent on subjective judgement (Adams, 2008). It has also seen less frequent use in acclaimed journals in modern research (Patten, 2020) where other perspectives like voluntary disclosure theory have become more frequent (Cho et.al, 2015). This criticism from modern research has been answered, stating that

such literature despite not mentioning legitimacy theory explicitly, has seen great use of similar concepts and explanations making the argument against the theory’s relevance paradoxical (Patten, 2020). Legitimacy theory has therefore, despite the criticism, remained relevant, as its key concepts and explanations seems to be prevalent even in times where the theory is facing major criticism (Patten, 2020).

2.4 Analytical Model

Figure 1 presents the analytical model of the study, which links the main perspectives of the study’s theoretical framework and the research questions together.

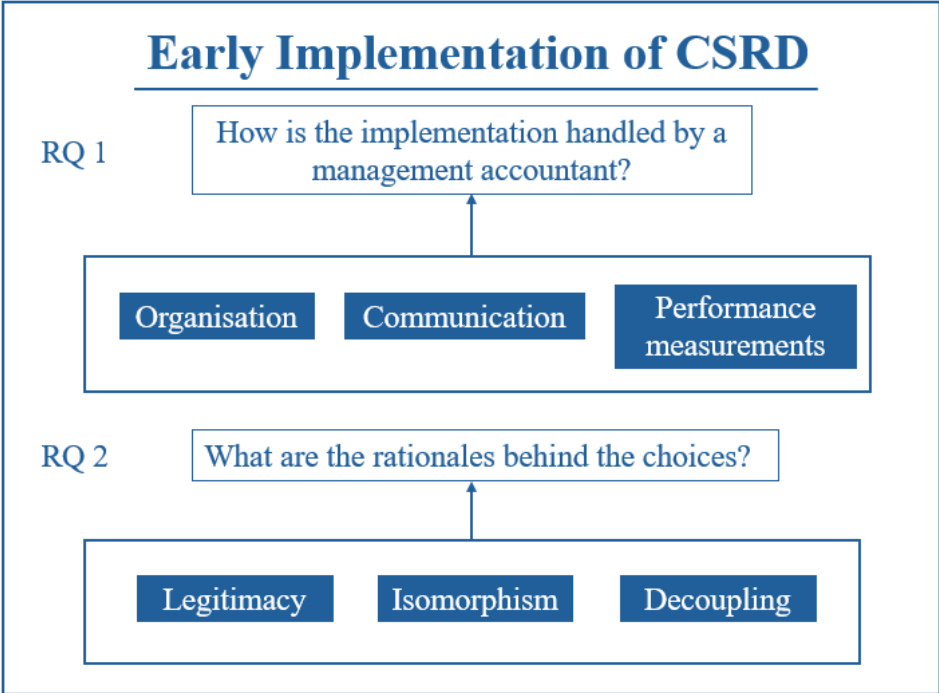


Figure 1: The study’s analytical model developed by the authors.

The literature review has described the fundamentals of NFRD and CSRD implementation to offer an understanding of what previous and current legislation implies for the companies (European Union, n.d; Swedish Financial Supervisory Authority, 2023a; EFRAG, n.d; EFRAG, 2023). Against this backdrop, the thesis studies the first three months of the implementation of CSRD in two overarching areas, those being the two research questions.

The first area being how the transition to CSRD is handled by the management accountant through organization, communication, and performance measurements. Organization will emphasize the role and qualities of the management accountant possesses (e.g. Chenhall & Langfield-Smith, 1998 Burritt et.al., 2022; Contrafatto & Burns, 2013), organizational characteristics, and actions taken (e.g. Kotter, 1995; Appelbaum et.al., 2012; Chenhall & Langfield-Smith, 1998; Contrafatto & Burns, 2013).

Communication will focus on how the implementation is being communicated by the management accountant to their peers and organization, with an emphasis to contribute to discussion regarding the extent of the internal stakeholder communication and development (Welch & Jackson, 2007; Steyn & Puth, 2000; Sutton, et.al, 2022). It will also study the

potential incorporation of a unified communication visions and its usefulness (Kotter, 2007; Schaltegger & Burritt, 2015; Beusch et.al, 2022; Contrafatto & Burns, 2013), with an addition contribution in the characteristics of the potential communication efforts (Neves & Eisenberger, 2012; Beusch et.al, 2022; Fatima & Elbanna, 2023).

The last subject in the first area, performance measurements, shall investigate how material aspects were determined with the arriving materiality definition found in CSRD. This contributes to the academic discussion regarding double materiality's usefulness and clarity (e.g. Jørgensen, et.al, 2022; De Cristofaro & Gulluscio, 2023; Correa-Mejía, et.al., 2024). This area will also briefly investigate materiality for voluntary efforts (Garst, et. al., 2022). Besides this larger discussion the areas of data collection and estimation (Schaltegger, et.al., 2022; Burritt et.al., 2023), and IT's role in the implementation (Contrafatto & Burns, 2013; Nguyen et.al., 2021) will also be investigated on a general level.

The second area connected to the second research question will investigate why the company has made their decisions in the implementation of CSRD. This will be investigated through the three concepts found developed from legitimacy theory (Meyer & Rowan, 1977). Legitimacy will be investigated with a broad definition (Albert & Whetten, 1985; Reuf & Scott, 1998; Lawrence, 1998; Deephouse & Carter, 2005; Soewarno, et.al., 2019) and connected to organizational actions (Juusola & Srouji, 2023; Burns & Scapens, 2000; Al-Abrow, et.al., 2022; O'Donovan, 2002) to investigate potential motivations.

Decoupling will also use a broad definition and connect it to organizational actions (Roszkowska-Menkes, et.al., 2024; Liu, et.al., 2023; Contrafatto & Burns, 2013; Gebhardt et.al, 2022) to investigate if such motivation has influenced the decisions made. A similar approach will also be used with isomorphism (DiMaggio & Powell, 1983) to investigate if such notions (Yusoff, et.al., 2019; Korca et.al, 2021; Martinez-Ferrero & Garcia-Sanchez, 2017) play a vital role in the motivations behind the made choices.

3. Method

The method section of the thesis contributes to the understanding of how the thesis work has been executed, as well as the considerations made through the process. This is done by explaining the reasons behind the choice of method, case company, and how the material has been analysed.

3.1 Motivation of Study Design

3.1.1 Tradition of Interpretivism

This thesis falls into the field of interpretivism in accounting research, meaning that reality is assumed to be socially constructed (Myers, 2008). Interpretivism is also considered to reject an objectivistic view (Collins, 2010) and therefore emphasize the researchers need to acknowledge differences between people's view and perception of events (Saunders, Lewis & Thornhill, 2012). Further insight of interpretivism shows that the end goal of research is to gain an understanding of the phenomena studied and what makes it specific, unique, and deviant. This is conducted in a more interactive, cooperative, or participative way, ultimately ending in the knowledge of how people interpret the phenomenon, what issues and problems they encounter, and how they deal with such (Pizam & Mansfeld, 2009). For business studies interpretivism has heavily revolved around areas such as contextualization, interactions between researchers and the subjects, abstraction and generalization, dialogical reasoning, and the use of multiple interpretations (Klein & Meyers, 1999).

The description of interpretivism above illustrate the fundamentals which surrounds this thesis and aids in ones understanding of the choices made. At the time of the writing this report, spring 2024, processes of CSRD implementation are ongoing in the affected companies due to workload of assuring compliance with the legislation (Swedish Financial Supervisory Authority, 2023a). The directive's organizational implications, such as the needed preparations and change, are unknown it is of great interest to capture this new phenomenon, its problems, and potential solutions in detail. By following the fundamentals of interpretivism (Pizam & Mansfeld, 2009) one becomes able to capture such aspects. Conducting an interpretivist study is therefore a great fit for a subject of CSRD as it enables early detailed insight into a phenomenon which will come to affect a vast scale of organizations and those in charge.

3.1.2 Case Study

The choice to study CSRD in an interpretivist manner also affect the choice of methodology. It was decided to conduct a single-firm case study to gain an in-depth understanding and capture what people think and do regarding a phenomenon whilst also getting to know how problems are dealt with (Pizam & Mansfeld, 2009). Besides the benefits of enabling in-depth knowledge of the phenomenon it can also be viewed as a strategic approach that enables one to conduct detailed investigations in a specific setting (De Vaus, 2001) which in this case is the heavily affected larger manufacturing company. Furthermore, a case study can be a beneficial tool in order to understand how, and why events are the way they are (Yin, 2014).

Case studies are a common method within the field of management accounting (Moneva et.al, 2023; Corsi & Arru, 2021; Contrafatto & Burns, 2013; Korca et.al, 2021; Chenhall & Langfield-Smith, 1998) which provides further basis for its relevance in this field. However, due to the

methodology's limitations researchers tend to utilize a variety of methods to increase its generalizability, referred to as triangulation, meaning that case studies often contain several elements to it (Collis & Hussey, 2013). This thesis will also use a variety of methods in order to triangulate the results as it enables more depth, evidence and understanding (Sabelfeld, Dumay & La Torre, 2023), leading to greater generalizability. Triangulation also aligns with the interpretivist approach as it aids in gaining nuances to the studied phenomenon (Hoque, Covaleski & Gooneratne, 2013).

The methods used in this case study is based upon the insight gained from previous research. Researchers have tended to use interviews combined with statistical analysis and document analysis (Alsharari, 2023), others have interviews and documents with the assistance of archival data related to specific topics such as sustainability (Juusola & Srouji, 2023). Some have used interviews with the addition publicly available information and internal conversation transcripts (Contrafatto & Burns, 2013). Content analysis, interviews and seminars have also seen some use (Korca et.al, 2021). However, one study that the authors of the thesis found suiting in terms of a triangulation approach was the study conducted by Sabelfeld et.al (2023). The thesis therefore adapted a similar methodology and has thus chosen a case-study which incorporate in-depth interviews, a general document review and observations. The case-study was started in January 2024 and continued throughout the following spring. The empirical findings were gathered during the first three months of 2024 due to time constraints. It therefore focuses on the preparations and actions made in the early implementation phase of CSRD.

3.1.2.1 Document Review

The first part of the triangulation was the document analysis which was chosen as a method based in its use in previous case studies (AlSharari, 2024; Juusola & Srouji, 2023; Sabelfeld et.al, 2023). The document analysis in this thesis was mainly used by the authors to get a fundamental understanding of the company's composition, earlier sustainability efforts as well as gaining knowledge about how the project had been carried out in the planning phase, an approach that other researchers have incorporated (Contrafatto & Burns, 2013). Using these documents therefore gained the authors a deeper understanding of the implications of CSRD which would then aid in mapping relevant interviewees as well as showcasing relevant areas of academic literature which could be utilized. The document analysis was therefore an integral part of the thesis' abductive approach.

The documents used for the thesis were internal documents related to the company's earlier preparation efforts which had taken part during 2023. Including the initial gap-analysis of CSRD, the list of required datapoints and responsible actors to gain such, the final report and documents from organizations used for inspiration were all used. As mentioned earlier this document analysis focused solely on the information provided and to aid the authors a fundamental understanding of the overall structure of the project. It was therefore actively chosen to not emphasize the language, structure, or narrative.

Code	Method	Observed event/reviewed document	Event/document details
D1	Overview	GAP analysis	Requirements for CSRD Delegated responsibilities for CSRD
D2	Overview	Action plan & Data list	CSRD
D3	Overview	Final report	Summary of preparations for CSRD
D4	Overview	Circular Transition Indicators V4.0	Decisions made by industry peers

Table 1: A full list of the documents used in the empirical findings.

3.1.2.2 Interviews and Questions

Obtaining interviews is a common method for case studies, as several previous studies have used it as their main method for their empirical insights (e.g. Korca et.al, 2021; Moneva et.al, 2023; Contrafatto & Burns, 2013). Therefore, this thesis utilized interviews as the main area in order to gather detailed empirical insights. The questions use the areas described in the frame of reference to design initial guiding questions as this has been stated as pivotal in research (Collis & Hussey, 2013). These guiding questions were then shifting towards flexible questions, as it encourages open conversation yet enables the respondent to maintain focused on the chosen areas. This further enabled a deeper understanding of the situation at hand. The questions conducted at the interviews were open in order to be neutral (Sirur, Nurse & Webb 2018).

The questions in this thesis were related to the tasks of the management accountant, how their role is affected by the implementation of CSRD and the rationales behind such choices. In order to gain deeper insights into the practical areas impacting the management accountant, the questions were connected to the three areas described in the frame of reference, organization, communication, and performance measurements. Furthermore, although the questions were open, the questions took inspiration from the previous literature within each area in order to stay consistent to the topic (Sirur, et.al., 2018). In order to build a deeper understanding of these areas, some questions were also connected to understand the rationales behind the choices, by exploring why the company is making these changes, in what areas they are cooperating or taking inspiration from other companies, and how the work tasks within the organization are changing due to CSRD.

The interviews were conducted over a period of seven weeks and were 8 in total. Each interview was approximately 45 minutes and involved different parts of the CSRD implementation project, however all were connected to the reporting work and the tasks related to the management accountant. The lists of questions can be found in the Appendix.

3.1.2.3 Observations

Likewise to document analysis and interviews, the choice to utilize observations was based in previous research (Adams & McNicholas, 2007; Sabelfeld et.al, 2023). The observations of this study were mainly utilized by observing meetings regarding the implementation of CSRD in order to gain deeper insights into how discussion regarding the topic is going. It was therefore used to gain additional insight that the interviews and the documentation failed to capture. The observations were also used to see a more practical view of the day-to-day implementation.

The observations were carried out both passively and actively. The passive observations were meetings regarding the project which involved the ones mainly responsible for the

implementation. There was also a meeting which emphasized on-boarding where the project and its implications and preparations were addressed. The authors of the thesis decided to be passive in order to let the meetings go on as usual intended, whilst taking notes regarding the acknowledgements and decisions made. The active observations included discussions and notes taken during coffee breaks, a guided tour of the facility as well as lunches together with attending staff. These aided with additional insight and specific details that were not addressed during the meetings.

Code	Method	Organization	Observed event/reviewed document	Event/document details
O1	Discussion	Operations	Employee impacted by the new standards	Coffee break
O2	Tour	Several	Guided tour	Tour
O3	Passive observation	Several	Core team status meeting	Meeting
O4	Passive observation	Several	Onboarding session	Meeting
O5	Discussion	Group Finance	After meeting lunch break	Lunch
O6	Passive observation	Several	Core team status meeting	Meeting
O7	Passive observation	Several	Sustainability reporting req. status meeting	Meeting
O8	Passive observation	Several	Core status meeting	Meeting
O9	Passive observation	Several	Sustainability reporting req. status meeting	Meeting
O10	Passive Observation	Several	Core status meeting	Meeting

Table 2: A full list of the observations made in the case company.

3.1.3 Case Company

The chosen firm which will be subject to the thesis is SKF Group, a large listed Swedish manufacturing company with approximately 40 000 employees around the globe (SKF Group, n.d). There are several motivations why SKF was chosen for the thesis. The company is impacted by CSRD which enables the study to be conducted. Furthermore, SKF is a manufacturing company which also makes it interesting. Mainly since their impact on sustainability issues are quite substantial as they have large value chains, are dependent on heavy machinery, and require high amounts of natural resources in their production. Since CSRD aims to cover a broad range of environmental and social issues (EFRAG, n.d) it was reasoned that a company that currently affects such areas to a large degree is of greater interest than those with a significantly smaller impact.

It is also of interest since it is one of Sweden’s most renowned companies, their success in this transformation is therefore assumed to be of large importance for the Swedish society and international image. SKF’s current sustainability efforts and actions, described in earlier annual reports, have also been acknowledged by EcoVadis, which have accredited them with a Platinum Medal. Thus, placing SKF within the top 1% among 100,000 companies assessed for its commitment to sustainable business (EcoVadis, n.d.; SKF Group, n.d).

3.1.4 Respondents

The choice of respondents was based on their role in the company and their connection to the CSRD implementation project. The document analysis as well as initial meetings were therefore essential for the authors to gain an understanding in who would be of interest to interview further. One limitation that was made was that each respondent must be connected to the project

in a relevant manner to management accounting. Since a management accountant was responsible for the transition and had employees with delegated tasks connected to the project, the choice was therefore made to get a holistic picture of the implementation, as it otherwise would fail to capture the whole complexity that the management accountant faces.

Code	Datapoint	Method	Organization	Role/Responsibility	Prof. group
R1**	I1*, I7	In-depth interviews	SKF	Management Accountant	F***
R2	I2	In-depth interviews	n.d.	Consultant	E***
R3	I3	In-depth interviews	SKF	Specialist in ESRS	TD***
R4	I4	In-depth interviews	SKF	Management Accountant	S***
R5	I5	In-depth interviews	SKF	Management Accountant	IC***
R6	I6	In-depth interviews	SKF	Specialist in ESRS	EHS***
R7	I8	In-depth interviews	SKF	Specialist in ESRS	HR***

Table 3: Containing the list of respondents being interviewed for the empirical analysis.

*I1 Interview 1. **R1 – respondent 1. ***F – Finance E – External, TD – Technology development, S – Sustainability, IC – Internal controls, EHS – Environment, Health, Safety and Energy, HR – Human resources

3.2 Method Discussion

The choice to conduct a case study implies both strengths and weaknesses. As mentioned, a case study enables deeper insight and understanding of the studied phenomena (Pizam & Mansfeld, 2009; Yin, 2014). It also allows for different methods to be used in a specific setting study which can add further nuances and explanations (De Vaus, 2001), especially when the methods used take triangulation matters into account (Hoque, et.al., 2013). Case studies are therefore beneficial in several ways as it enables detailed understanding. However, there are also shortcomings of this methodology which mainly refers to its limited focus. By conducting a case study, the generalizability of the results becomes weaker, meaning that it could serve as a weak prediction for outcomes of other studies (Pizam & Mansfeld, 2009). This weakness is also furthered in single-firm case studies (Priya, 2021) such as this thesis. There is also the weakness that case studies are interactive in its data collection rather than separated (Pizam & Mansfeld, 2009) which could make the findings subject to researcher bias thereby further decreasing generalizability (Priya, 2021). There are therefore several weaknesses alongside the methodology's strengths.

The strengths and weaknesses are not the sole aspects of the methodology one should consider, as there are other broader aspects which are also important. Scholars have stated that such aspects are those related to high-quality qualitative research and are usually described as the five criteria of credibility, adequacy of information, fairness, reflexivity, and transferability (Welch & Piekkari, 2017). These have been considered in the thesis to reinforce the strengths and minimize the weaknesses of the chosen methodology. One of the main actions taken is that the case study incorporates material from documents, interviews and observations leading the findings to be triangulated which offers greater reliability of the interpretations made (Sabelfeld, Dumay & La Torre, 2023). Another action taken is that the respondents in the interviews are anonymized and that their statements are presented frequently utilizing quotes. The material is therefore presented in a fair manner and the authors' interpretations throughout the thesis is thus made clear. There is also a conscious decision to incorporate great abundance

of academic literature as it is stated to offer greater generalizability of the results (Parker & Northcott, 2016). All these actions taken are reasoned to contribute to the criteria of high-quality research and therefore minimize the shortcomings of the case study methodology.

3.3 Data Analysis Process

The implications of the CSRD directive are still unknown, resulting in a significantly lacking literature to build the study upon and a complex topic to study. To combat this challenge, the data analysis process was conducted in an abductive manner, meaning that the literature and empirical findings interact with each other in order to be analysed (Sabelfeld et.al, 2023). Based on the early findings of the thesis, those found in internal preparation reports and initial meetings, the main themes could be identified which guided the literature selection. Meanwhile literature regarding the management accountant influenced the empirical collection as well. This is beneficial as it enables relevant areas to be focused on in the thesis whilst also enabling new information and empirical findings to be found, as one is more open-minded and not hindered by prior assumptions (Gibson, 2017). Thus, resulting in two parts of academic literature, those connected more specifically to implementation work of the management accountant and those connected to the understanding of the rationale behind the decisions and processes.

Based on the abductive approach there were three areas found to be prominent with regards to how the management accountant acts in implementation projects, those being the areas of organization, communication, and performance measurements. The same reasoning was applied for understanding the management accountant's rationales and decisions made, where a prominent area amongst researchers had been to utilize legitimacy theory. The abductive approach also gave insight that such a theory would be feasible and was therefore chosen to aid in explaining the findings from the management accountant.

There was also another reason why a large established theory was chosen which was related to the issue lacking generalizability of interpretivist studies (Klein & Meyers, 1999). By connecting the findings of the thesis to an established theory it can thereby add nuances to existing theoretical foundations and thus mitigate the issue of lacking generalizability (Parker & Northcott, 2016). Legitimacy theory was therefore reasoned to offer great explanations and concepts for understanding the management accountant's rationales whilst also improving the thesis generalizability. There were also other established theories which could have aided this study in a similar manner, but it was reasoned that it was essential for the thesis to have a focus and not become too broad in its frame of reference. Based in the abductive approach legitimacy theory was thus also reasoned to be the most suiting theory to incorporate.

The categories established due to the abductive approach enabled the empirical material to be structured and coded into the fitting categories within the findings. The frame of the coding is inspired by Sabelfeld et.al. (2023) but has been adapted to fit the subject investigated in the thesis. The main difference from the coding frame of Sabelfeld et. al. (2023) is the categories used. In order to answer the research questions, the coding was divided into the two research questions, hence focusing on how the management accountant is implementing CSRD in the early stage and what the underlying rationales are for such choices. The empirical observations, interview answers alongside its respondent, and document statements have then been connected

to the different categories that they are argued to fit in. The full table of the coding can be found in the analysis as table 4.

4. Findings

The following section showcases a table of coding which summarizes the findings in the respective areas whilst also illustrating what sources the displayed information is drawn from. Each area is then presented with events and quotes in chronological order to give the reader a more easily understandable presentation of how the work has been conducted by the studied company. The structure is that a small segment of text is summarising an event. Some of these events are followed by quotes for a more in-depth view of the event previously described.

4.1 Table of Coding

RQ	Theoretical Concept	Actors	Summary of Findings	Data Source
RQ1	Management Accountant			
	<i>Organization</i>	Management accountant, Consultant, Specialist, Human Resources	Major organizational changes have been made, with creation of a new team, a new project group, and new responsibilities. Finding the right competencies and resources has been difficult.	R1, R2, R3, R4, R6, R7, D1, D2, D3, O2, O3, O6, O7, O8, O9
	<i>Communication</i>	Management accountant, Consultant, Specialist, Human Resources	Communication has been initiated, major communication aspects have been considered, and the response to the communication efforts has been varied. It has been difficult to strike a balance in communication efforts.	R1, R2, R3, R4, R6, R7,
	<i>Performance measurements</i>	Management accountant, Specialist, Internal Controls, Human Resources	Preparations have been made regarding materiality. Different mandatory legislation and voluntary efforts makes the efforts more complicated. Finding and estimating new datapoints and narratives, as well as IT capabilities has been the areas of major struggle.	R1, R4, R5, R6, R7, D1, D2, D3, O3, O4, O6, O7, O8
RQ2	Rationales of choices	Management Accountant, Consultant, Specialist, Human Resources	Earlier experiences have influenced and formed the corporation. This results in a certain corporate identity and ambition level. This is furthered by the lack of aid from other corporations. The legislation in itself is also a demanding and driving factor for the ambition level set.	R1, R2, R3, R4, R6, R7, D1, D4, O2, O3, O4, O5, O6, O7, O8, O9, O10

Table 4: Describing the data sources and summary of findings for each area.

4.2 Early Implementation by the Management Accountant

4.2.1 Organization

As the requirements for sustainability reporting increased due to the arrival of CSRD, the company realized that they needed to increase their efforts in order to meet the new requirements. Thus, the company started to transform their organization to be prepared for the new regulation. Previously, the sustainability reporting was managed by a group from different parts of the company, with the sustainability team having the main responsibility, as they possessed the most knowledge regarding sustainability issues. They were also the ones initially addressing the arrival of CSRD and what impact it might have (R1, R4).

“This issue of CSRD. It was one of the questions on our list of what we call emerging topics we have. So emerging issues. We've been seeing this coming for quite some time now. Expanded reporting requirements, and it's important that we, as a company, proactively address it. The EU taxonomy was another such area, and it came a little earlier, so I was involved in raising these issues quite early to our management and said that this is happening now and it's going to be significant. And we need to address this as a company so that we're prepared.” – R4 (2024-03-08)

“It's really not just a matter of now, we have to do this, but there are many factors driving this and then it drives more things in the transition. Just that you can't have comprehensive reporting without good processes. A good business model and good systems and tools. So, all of this drives each other in some way, maybe CSRD lies at the bottom and the increased demands of the market in general equally so, and that in turn drives us to overhaul our entire work here.” – R1 (2024-03-19)

As CSRD was established within the EU the company started preparing their transition by creating a gap analysis in the spring of 2023, where they reviewed what requirements within the regulation they currently complied with, and in what areas they were missing data or narratives (R1, O4, D1). The gap analysis was followed by an action plan, identifying the specific requirements and the actions necessary to meet the requirements. These tasks were further identified with different priority levels and actors responsible for the area (R1, O4, D2).

“It was August 2023 when we started up a project to try to establish a roadmap that showed, what is it that we really need to do? Besides filling all the CSRD gaps? We knew we had more to do. We wanted to review the processes, we wanted to review the entire operating model, so who really should work with all the reporting going forward?” – R1 (2024-02-12)

In the fall of 2023, the company initiated a sustainability reporting team within the finance department to be in charge of the reporting of sustainability (R1, R4, O3, O4, D3). One crucial aspect behind the decision was that the language and logic in the reporting requirements were deemed to be similar within financial and sustainability reporting (R1).

“It's very much about processes, reporting processes. How do you work efficiently with reporting? So basically, it's the same that there's an event happening out there and then it creates some kind of transaction, you verify that everything is correct and then you report it in an annual report. So, it's very similar, and it should be right, and it should be on time and so on. So, I think that understanding is very good to have when working with this.”- R1 (2024-03-19)

The sustainability reporting team consists of one management accountant in charge of the full process and five other management accountants focusing on their specific areas, including processes, IT processes, financial aspects, and the regulatory requirements (R1, O4, D3).

“The idea is that my function should own the processes surrounding sustainability reporting. So, our responsibility is to design the processes to be efficient so that the right people are involved, and they also know what to do, and that all data goes through the right systems and so on and comes out correctly on the other side. We are also responsible for putting internal controls in place.” – R1(2024-03-19)

In December of 2023, the company established a final report, consisting of a summary of all the considerations that they have made, together with the road forward in the process. The report includes, but is not limited to, the specific units and areas being involved with the project, a summary of the gap analysis, what areas they find material in their materiality analysis, and what ambition levels they are considering (R1, O4, D3).

There are several functions involved within the sustainability reporting project. In total, the project group consists of 16 full time employees, in total 39 people, from different functions, including HR, IT, sustainability, EHS (Environment, Health, Safety, and Energy department), internal controls, ethics and compliance, and supply chain (R1). All these functions have been included due to their expert knowledge within the different areas. This means that the main task for the management accountants within the sustainability reporting team is to lead the project rather than have expert knowledge within a specific field.

“I think maybe [I] don't really need a deep knowledge of the legislation but more of an understanding. An understanding of the processes. The most critical skill for me, I believe, is to find the right people for the right task and ensure they move forward and keep everything together in some way, actually a bit more, yeah, project management. Making sure things get done and connecting people. That's what I do a lot because I find someone who knows something about something and then I connect them with something else and then bring in consulting expertise together, so I ensure they've accomplished their work.” – R1 (2024-03-19)

The other participants within the project group have different responsibilities depending on their areas of expertise (R1, R3, R4, R6, R7, O4, O9). For the IT department, this means that their main area of responsibility is to ensure that they have digital solutions in place for the reporting.

The long-term goal for the digital delivery is to have equally established processes as for the financial reporting (O4). Meanwhile, those traditionally connected to HR and safety, have other responsibilities connected to sustainability reporting (R6, R7).

“My involvement in the work has increased as the years have passed, and I have realized, which is a fact, that the reporting we do as part of our ISO certification on these issues also becomes a foundation in sustainability reporting. So, we have goals for occupational health-related aspects. We have goals in the environmental area and in the energy area. But if we focus mainly on occupational health and what I am also responsible for the results of, much of what is reported is to meet requirements from a certification perspective and to improve performance, which then also goes into sustainability reporting. So, when you look at what is included in the group's sustainability reporting in the annual report, much of it is drawn from our ongoing internal ... reporting. So, it serves a dual purpose. We use it both for internal monitoring and improved performance, but also for external reporting.” – R6 (2024-03-15)

“I have the back end of the annual reporting ... The responsibility is placed on HR to ensure that it goes correctly and accurately, and the descriptive part goes through me. This doesn't mean that I write everything, it doesn't mean that I'm an expert on everything. But to ensure that we follow our strategic agendas and convey the messages we want to convey and paint the picture that we think is fair about the people side at SKF. So, it goes through me, in that sense, I am involved, and in the same way, I often coordinate the input that goes into these various sustainability indexes. And then it's often not as much narratives as with the right data points and so on. And so, that also goes through me.” – R7 (2024-03-19)

These responsibilities have been further specified in the action plan (D2) and were also considered in the long term in the tool referred to as RACI (responsible, accountable, contribute, inform) (O3, O4, R5). However, the RACI has not been finalised, which has led to a discussion within the project group how detailed the RACI should be, depending on the time required to finalise it (O8, O10).

In order to structure the project and create further clarity for the participants, they have divided the work into four streams, which are focusing on their own specific areas. One team is responsible for the reporting process and the overall project. The second is in charge of understanding the reporting requirements from CSRD, including what data that is required and how they need to structure their narratives. The digital delivery is focusing on managing the digital solutions for the reporting and data management. Lastly, the communication and change management team is responsible for communicating the needs and project to the organization. These different areas further have their own work packages consisting of different tasks for different individuals (R1, O3, O6, O8)

“Initially, we had a work package called something like CSRD requirements, which was our entire action plan for CSRD implementation. But then we realized when we started detailed planning that this is a very large topic and spans across so many different functions, and we probably need to create a work package for each standard to be able to follow up properly. It becomes very difficult to say that we're doing poorly on the governance aspect and very well on the environment aspect.” – R1 (2024-03-19)

As this is a large project involving several areas within the company, they have also established checkup meetings where they discuss the progress within the project, emerging problems, and the steps forward. Every work stream has their own meetings where they discuss their area more specifically (O7, O9). They also have one meeting once a week where all the areas within the project is participating. During these meeting they use a checkup template including overall status, deliverables, resources, time plan, accomplishments, and risks (O3, O6, O8, O10).

One area which has shown to be a greater challenge than anticipated, is the amount of resources needed in order to manage the project and the different areas required. This has also been identified as one of the main risks for the project. Initially they underestimated the time required for some of the areas within the project but have realised that more people are required to manage all the areas (R1, R2, R3, R4, R6, O8, O9, O10).

“You're the expert internally What's become really clear to me is that it's way more work than we have resource, so there's a flagging going on at the moment between how are we going to solve that because the circularity programme was maybe intended that like 10% of an FTE could be responsible for that kind of input to the reporting team.” – R3 (2024-02-28)

Another area which has shown to be a challenge is to find the right competences. For instance, when employing for the reporting team, there were many candidates that had extensive knowledge of sustainability. But the company was requesting knowledge within sustainability reporting, as the requirements within the area is increasingly similar to the requirements within financial reporting, they would prefer knowledge of reporting before sustainability for the sustainability reporting group, as they have others with sustainability knowledge within the company (R1). The requirements from the IT department have also been identified as a mayor risk for the project, as it can be a challenge to identify the needs from the IT department (O8). All the departments therefore had gaps with competences to solve the challenge, which could not mainly be solved with external aid (R1, R6).

So it's quite evident that the workload is increasing, but I also believe that it will remain at an elevated level even after the program is completed. And what becomes interesting is what kind of competencies and profiles we need to be able to support the program in the best possible way. To be very transparent, we initially thought that we would be able to appoint consultants, resources, or temporary resources that could come in and assist us. But we increasingly realize that it's difficult to pick someone from

outside who comes in and supports because it's not just about needing to have knowledge of the reporting directive or environmental, occupational health, or climate issues at an overarching level, but you also need to understand our organization and activities that we have at our sites, how the work has been ongoing to provide the right input in the reporting program. So, while we are adding capacity, it's not entirely straightforward to find the right type of capacity. – R6 (2024-03-15)

4.2.2 Communication

The vast implications to organizational structure and processes were reasoned to be essential to communicate in an effective and clear manner for the transition to be successful. The company therefore began utilizing consultants from a larger auditing firm to aid in forming a communication plan for CSRD (R1). An initial communication stakeholder analysis was carried out during the autumn of 2023, where key actors could be identified in order to determine how they would be communicated to in a desired and efficient manner (R1, R2). The reasoning behind such ambitions was that earlier experiences had shown that misguided and insufficient communication has led to increased unwillingness to change, thereby influencing organizations overall capabilities to achieve such (R2).

The preparations, which mainly involved meetings and interviews, were finalized in early 2024. This resulted in tailored communication packages for key stakeholders at higher organizational levels which would be put into effect later during spring 2024. These packages took into consideration the stakeholder's preferences regarding extent, frequency, and communication channels to enable a desired level of briefing regarding the CSRD implementation. The packages were viewed as living documents which could be change as stakeholders preferences shift (R2).

"Yeah, so the stakeholder analysis is a very central part, and it's something you might do at the beginning. But it's something that lives all the time. Because it's also about negotiation, and the needs change over time." – R2 (2024-02-28)

These communication packages were not the sole actions regarding communication. The consultants also aided the management accountant with communication aspects, such as setting up meetings, for the whole project as well as for the team in charge of the implementation. However, these communication aspects received mixed feedback from the project team which were also some of the key internal stakeholders. The major positive being that they themselves felt briefed and had a fundamental understanding of the CSRD implementation and progress (R1, R3, R6, R7).

"They've communicated how they've run it. I think they're doing it really, really well, but it's really complex and it's really unknown and things are being found out as we're going, naturally because it's the first time we're doing it." – R3 (2024-02-28)

"Communication-wise, for me, good. I've been involved all the way. It's quite clearly driven from finance." – R7 (2024-03-19)

However, there were also negatives presented by the project team such as that the communication aspects could become a bit too administrative and time demanding (R1, R4, R6, R7). A larger issue though was the communication towards the overall internal organization. CSRD does undoubtedly not solely affect the ones on strategic level as new processes and data would be required from all parts of the organization, stretching from top-level management to on-site blue-collar workers. To brief those on factory level and greater organizational level was therefore viewed as an area of improvement with regards to the communication (R1, R6).

"...where we have manufacturing operations, so they have been continuously informed. But that group also needs to receive material to use in the next step to cascade down further to actual factory level or unit level so that they know what applies. And we haven't been ready to do that yet. It's not surprising that we haven't done it. But now it's getting closer to the time to actually get more detailed information out. For some things, we need to report by the end of 2024, so you need to collect the information during the year, of course." – R6 (2024-03-15)

"There's a lot of curiosity in the organization and many people want to know, but it's been quite quiet about us. But the reason it's been quiet is because our communication consultants, they think that first we should set a purpose and identify our stakeholders very carefully, and then we should plan the communications when we know what we're going to say when we're very clear about what we're going to communicate. Then we start doing it. Yes, and that's probably true, but there's a limit to how long you can plan for. Now I'm actually starting to hear from various places like this: They're probably doing a good job in this team. But it's very quiet about them there. And now I feel. Now we've been at this for, well, almost 3 months of the year, so now we just have to go out and talk about it. We got an article out on Spider [the intranet] the other day. Have you seen it?" – R1 (2024-03-19)

The rigorous planning and work put into ensuring well executed communication therefore seems to have encountered issues showcasing that the implementation of CSRD is vast and complex to a degree that even communication surrounding it has tendencies to become problematic. Especially as the project involves a great deal of people, a minimum of 16 full time employees, there is a striking issue of balancing internal briefings whilst still not making the project too centred around meetings (R1, R4, R6, R7). Although this was acknowledged by the one in charge of the communication (R2) it seems to be a problem that is inevitable due to the scale of CSRD.

"...it becomes very, very meeting-heavy in projects like these. There are so many status meetings, cross-functional meetings, and there are very many different subgroups and forums in the program that require a lot of

meetings, and I'm basically in all of them. So that's the downside, then, there's a lot of communication needed when there are many people involved in many different functions, but it also becomes quite heavy to push through. But I think that at least being clear so that everyone knows what they should do and how the dependencies look between everyone and so on. So that's worked well. Anyway, I think. All the project participants should also answer that. If there has been clarity in the communication." – R1 (2024-03-19)

When managing a large group of individuals with different knowledge and areas of expertise, it can be difficult to understand each other and what needs different groups have. This problem has mainly seemed to arise because the different groups have different structures, and different ways of thinking and operating. In order to minimize this effect, the company has had several workshops where groups from different teams have been able to present their point of view (R1, O6).

“So, we also had a little briefing from the digital stream; they wanted to tell us how they work and what they're working on. They will gather a lot of input from the other streams. And it's important for us to understand a bit how they work and why what they ask for is important and so on. That we understood their digital written work in a slightly different way than we do, and we don't always understand their questions. Now I'm talking about "we" and "them". It really becomes, I can't understand the digital stream in that way. They have completely different working methods, so it's important to try to understand what they need from us to reach their milestones and so on.” – R1 (2024-03-19)

There were also instances where the area of varying expertise became problematic thus adding further complexity to the communication problems. These issues mainly stemmed from those with lacking reporting experience who wished to have the guiding documents, like the action plan, to be simplified. This meant that the descriptive text should be put in a more easily understandable manner so that the actions needed became clearer. However, it was then noted that such texts, often drawn directly from the legislation, could not be adjusted as it jeopardized the fundamentals of the regulation to be missed. To avoid a potential case of non-compliance additional meetings were thus arranged with specialist to aid those responsible to gain a better understanding (O3, O4, O7, O8). This is further showcasing great need for resources dedicated to communication and learning aspects.

4.2.3 Performance Measurements

The introduction of CSRD meant that the company had to report their external performance measures in accordance with the EU-taxonomy and the new ESRS. There was thus some prior experience with taxonomy reporting which was helpful, as areas such as emission estimates had a foundation which could be built upon further. This was not the case for the ESRS reporting as it revolves around new accounting principles and requires new datapoints to be disclosed. The extent of CSRD's vastness in required disclosure became evident during the initial consultation work in 2023 where a gap analysis was conducted, thereby outlining the company's

existing sustainability reporting and the gaps needed to be solved to achieve compliance (D1, O3, O4, R1, R4, R6)

"So somewhere around there, we actually knew what we needed to do to be compliant. But then it became clear that it's not just about filling those gaps. Because it's also about streamlining our processes and reviewing all our systems and tools at work. The job is bigger than that because if you're going to report on three hundred data points, you also have to do it more efficiently. Otherwise, you kind of drown in the reporting process." – R1 (2024-02-12)

The consultation work provided in 2023 was also where the double materiality analysis was conducted which involved meetings amongst upper management, stakeholders, and consultants. This event was of great importance for the overall ambition for the CSRD implementation, thereby influencing the workload for the execution phase in 2024 and its following annual report. The meetings resulted in several decisions regarding sustainability reporting, one of the most noteworthy being material aspects of ESRS. ESRS 1 and ESRS 2 are cross-cutting and were thus to their nature automatically material. The company also determined that ESRS E1, E5, S1, S2 and G1 were all material and would therefore be focused upon going forward (D1, D3, R1, O4).

"But we were reasoning, like what kind of business do we have, for example? We can take water as an example, and one might think, well, of course. It's very important, but water, and we also think that. Of course, one should not pollute water. But then we start thinking about how much water do we use in our production, well, very little. Like if you manufacture bearings. It doesn't use much water, and we also don't have sites near sensitive water areas, so our impact in the area of water is really not significant. We think it's important, but. Among our important subjects, we don't have a major impact on water. But if you look at risks, are the risks that our production would be threatened if a lake near a factory dries up? No, we don't have those types of risks either, so when you look at how our business looks and where we are located and so on, we feel that no, it's not essential for us to report on." – R1 (2024-03-19)

"What can SKF affect and how are we affected? We think that all topics are important in themselves, but not all are so relevant to our business.

Similarly, there's another subtopic called Rights of Indigenous Communities, meaning how one affects indigenous peoples? That's also a very important question, we believe, but we don't really have sites where such indigenous communities are located, we don't directly affect them, and they're also not a major risk for us, if you will. When discussing through this topic, we realize that no, but it's not this that is absolutely most important for us to report on." – R1 (2024-03-19)

This double materiality analysis was then further developed by adding three scenarios of ambition ranging from basic compliance to premium compliance, the ambition was thereafter a strategic decision which initially was set to high. However, as the vast scale of CSRD and its' legislation became clearer, the company opted for a more reserved ambition which was still a significant improvement from their previous sustainability reporting (R1, O4, D3). This was made possible since the directive allows for some relief in disclosures for the initial three years (R1).

"One can interpret ESRS in different ways and determine the level of ambition. We really want to be very ambitious and do everything very well and even better. But can we manage it in practice? Do we have the time? We try to set it at some kind of good level where we report better than before, but not overly ambitious because then we will never reach the goal."
– R1 (2024-02-12)

"But in the long term, of course, we want to be premium in everything, but it's not realistic to think that we can achieve it short term." – R1 (2024-02-12)

"Yes, I think absolutely virtually everyone I talk to about this thinks that this is important and good changes and so on. However, the view may differ a bit on how much work should be put into getting it in place and what you are allowed to cost and what level of ambition we should take. There is probably no one who says that it is not important, everyone wants to do it, but some may be a little more: We [those of less ambition] do a minimum. We follow the law and then it's good enough. While others [those of higher ambition] think we should be the best in the whole world, and then there's the whole scale in between." – R1 (2024-03-19)

The directive's formulation therefore created a strategic ambiguity regarding the implementation's ambition level as it allows companies, at least in 2024, to either disclose or explain their sustainability efforts. This ambiguity of ambition would come to serve as one of the major challenges for the implementation phase studied and permeate several areas of developing new compliant performance measurements (O4, O8, R1, R3).

The set ambition level and the material ESRS topics being decided to be climate change, resource use and circular economy, own workforce, workers in the value chain, and business conduct (D3, R1) the company continued their implementation by delegating each topic to suiting employees (D2). The employees were selected based on their current experience with similar topics, resulting in that people from several departments became the project team underneath the recently established role of Head of Sustainability Reporting (D3, O4, R1). The ones involved were therefore from the different departments meaning that the degree of prior knowledge of sustainability reporting varied (R1, R3, R4, R5, R6, R7, O3, O4).

In the beginning of 2024, this team began working in the new organizational processes, which involved the pre-planned work streams, work packages, and status meetings, to secure the

datapoints and narratives needed for their respective ESRS standard and taxonomy areas (O3, O4, O6, O7, O8, R5). Although the preparations were set and tasks delegated, the company ran into several difficulties trying to secure the datapoints, with one of the issues being understanding the legislation itself and what the delegated tasks regarding such implied (R1, R3, R4, R6, R7, O3, O4, O8, O9).

"I don't think the definitions ESRS and the various parts are super clear. It's quite difficult for us as a large company to really understand exactly what the disclosure requirements are. So, I don't think CSRD simplifies this yet, we are still in a phase where we need to understand, what does this mean in practice then? But the hope is that it will straighten out... data definitions and methods, definitions and processes, guidelines and so on, so that what we report will be comparable to what others report and hopefully also become easier for us as a company to compile yes, if we know the rules of the game, but I don't think we're quite there yet. I think the [European] commission still has some work to do."- R4 (2024-03-08)

"And it's not clear to me, no one really seems to know. I've watched all the EU videos of, like the directives. You know, the French lady talking about it. And I'm still a bit like, well, I don't understand. I've gone on I've read every single document. I've read, the original legislation, and I'm still not 100% confident."- R3 (2024-02-28)

This uncertainty created by CSRD's formulation resulted in great frustrations as securing datapoints and writing narratives became hindered. In some cases, there were even uncertainties if the directive was contradictory to existing regional laws (R7).

"There we have it, it's more difficult, there are quite a few demands also on minority reporting in general, and for one thing, we don't have that type of information. And partly one can probably question if we have the legal right to gather that type of information. Now, one might want to know ethnic origin perhaps, and one might want to know about disabilities. And in many countries, we don't have a tradition of registering in the systems whether you have an official disability or not, [We] almost see it as the opposite, as long as you do your job, [SKF is] completely uninterested in whether there was any other type of disability." – R7 (2024-03-19)

Another issue was that the uncertainty and unclear instructions from the legislation created difficulties once entirely new datapoints or narratives were required. Therefore, when data needed to be estimated or when narratives had to be completely rewritten, the instructions provided was not sufficient. Causing even further complications in the areas of ESRS E1, E5, S1 and S2 (R3, R4, R6, R7, O3, O6, O9).

"You know, one of the things I think is gonna be painful that shouldn't be is, we have to report on revenue from circular solutions, right. So, first of all, that means we need to define what is meant by circular solutions. But then

we need to compile a list of all the different things that are. And then we have to query that from the sales database. I just I fear that that could end up being like a lot of work and be inconsistent data or you know, like depending on how, that's one worry.” - R3 (2024-02-28)

“Another is around like percentage of virgin materials. I just don't know to what extent we have data on like weight of non-virgin materials. Another one I'm worried about is but this is more about the taxonomy, but it's kind of relevant is like the traceability. If you have certain, what is it like. Certain chemicals or certain materials of interest that you have to trace them all the way through from supply to. So this to answer to your question there's like several that I'm worried about.” – R3 (2024-02-28)

"So we're not just going to improve quality, but we're also going to collect more data. And the way I see it is that it may sound like it should be simple. But it turns out, it's not easy for us to get good data quality from our operations. So I see that it requires raising competence and awareness in the organization." - R6 (2024-03-15)

"But, if we then look at what is closest to me, E5, it's the waste side, waste recycling, and there we have the challenge now with the historical challenges, data quality, access to data in time, and understanding of what we need to collect. And we will want to collect more details." – R6 (2024-03-15)

The problematic of understanding the legislation and the vastness of the directive with regards to ESRS was then further complicated by the directive’s additional requirements found in the EU Taxonomy. This means that the implications of ESRS were not only the ones needed to be considered. Instead CSRD forced the company to disclose information that was previously determined to not be material in the double materiality assessment of ESRS as it was required in the Taxonomy. The additional requirements from the voluntary ESG-rating institutes furthered this disclosure problem even further (R1, R6, O3, O4, O6, O7, O8).

"It's linked to the CSRD project as well. The standard E2, E3, E4 are also falling within my area. They are not assessed as material for SKF, but they are requirements imposed from an EU taxonomy perspective. We still need to report on certain aspects such as biodiversity and water for some of our factories, so we can't completely ignore them. Additionally, they are important for us to achieve good results in our [ESG] ratings, so there's that connection again. So, these standards are also on the radar right now." – R6 (2024-03-15)

A further issue, separately connected to practicalities of the legislation and the issues revolving around datapoints, was that the new requirements resulted in tremendous amounts of IT issues. The company already had around 1 000 different IT systems, meaning that simply finding coordinating, and consolidating data was a severe challenge for those involved (R1, R3 R4, R6,

R7, O3). The IT department also expressed that developing new solutions or buying systems was not a feasible option in the short term due to time constraints and the ambition level set. Specialized technological solutions were therefore not able to solve all of the existing problems surrounding data and could thus not be considered as a silver bullet (R4, O4, O6, O8).

"Think about how many products we deliver every day from factories all over the world. And you might think they are simple products, but they still have a number of components. And these components are purchased from different suppliers who use different processes and different raw materials and different transport routes. And now, if we take, for example, the need to provide fairly precise carbon footprint data at the product level, it quickly becomes a large amount of data. So here is a challenge with traceability and, not least, finding system support that becomes efficient and good for this." – R4 (2024-03-08)

"But now decisions need to be made based on new parameters, and if you haven't done that before, then that reference is missing, and that makes it difficult, so it's a challenge. It's a significant learning initiative. I think to make it work then. And then there are challenges related to large amounts of data." – R4 (2024-03-08)

All the issues mentioned created further complications for the implementation process of compliant performance measures. Mainly in the form that the issues resulted in additional need for resources as the project otherwise would halt. The project also had several areas involving each other and thus had large dependencies. One such area was internal controls which could not initiate their processes until the datapoint collection began to be finalized (R1, R5).

"So that's why it's so important with the project that is being driven because you have to look at, what dependencies do we have? Because the thing is, I can't start before the groundwork until the process is done. Because then it's just making things up." – R5 (2024-03-11)

Setting a reasonable ambition level, understanding the legislation, finding, or estimating data adequately, writing compliant narratives, having enough resources, and enabling feasible IT solutions were thus the main challenges for the company with regards to developing performance measurements. All these issues had been acknowledged beforehand (O8) yet their impact was still hard to combat for the company. This led them to sometimes question their initial ambition set for CSRD as some earlier experiences regarding high sustainability reporting ambitions had not shown the desired results (R1, R6).

"Then there are companies that have different opinions and different ways of acting. We notice that as well, it can sometimes be a bit frustrating to see that there are companies that we like to compare ourselves to, which we know from all our other collaborations may not have as progressive work in this area [earlier sustainability reports], yet they report very, very positive results. So, it's a balancing act there and how much of sustainability

reporting is a communication product? How much is a reflection of reality?" – R6 (2024-03-15)

4.3 Rationales of Choices

As seen in the paragraphs above the CSRD implementation has the company battling challenges of understanding the new legislation and finding adequate resources. These issues are also connected to their own ambitions towards the implementation, as the high standard set by themselves further complicates the existing challenges (R1, R3, R4, R6, O2, O3, O8). Understanding why such ambition level was set is therefore crucial.

One of the major rationales why high sustainability efforts are set is due to the company's prior experience with such efforts. The company has had a long history of disclosing sustainability information on voluntary and mandatory basis, where even some efforts of sustainability reporting began to be initiated in the 1980s (R6).

"For many years, at least 15 years, perhaps 20, we have provided sustainability reporting as part of our annual report. If you think about external reporting to begin with. And we've done this on a voluntary basis, and we've based it on the guidelines and standards that have existed, such as GRI, for example. And I think we've been relatively early as a company to embrace this, based on the idea that transparency in this area is super important." – R4 (2024-03-08)

These high ambitions of detailed sustainability reporting and voluntary efforts regarding ESG-ratings, had also been criticized internally historically, as the time consumption and surrounding costs were argued to be greater than its advantages. However, past periods of lowered sustainability reporting ambitions resulted in criticism from investors and stakeholders (R4).

"There were some investors who raised their eyebrows a bit and we got some follow-up questions, even from a few customers as well. And one thing led to another, and as sustainability has become increasingly prominent on almost everyone's agenda, we decided a few years ago that: No but we need, as a large company, to be part of such an ESG ratings. It's important for us to signal that we care about these issues, and we also want to show that we, as a company, take this seriously. And we want to perform well, we want to be visible there." – R4 (2024-03-08)

This reaction from stakeholders showcased that the advantages of high sustainability reporting ambitions had been neglected and served as a major learning point for the company (R4). The ambition was therefore quickly increased back to prior levels and then increased further over time. The advantages became even more clearer during this time where the regulatory landscape became stricter (R4, R6).

"It has been beneficial because we have been somewhat prepared when external expectations have increased. And by that, I'm not just referring to legislation but also how our stakeholders act and demand more information and transparency in what we do. I believe this has been the key to our

success in various ratings and surveys, and we've also received good feedback on our sustainability reporting in the annual report and so on. So, from an SKF perspective, it's also about how to manage external expectations.” – R6 (2024-03-15)

The historical experiences had therefore taught the company the valuable lesson that high sustainability reporting ambitions pay off through several ways. This has led them to further lean into the area of sustainability, with emphasis on legal compliance and vast voluntary efforts such as third-party accreditations and ESG-ratings (R1, R4, R6). Even stretching to the extent of making sustainability efforts and performance to be essential to the company’s identity and business model (R1, R3, R4, R6).

“And that's why we've done it, even though it hasn't been a legal requirement.” – R4 (2024-03-08)

“It is something that is clearly important from a brand point of view.” – R3 (2024-02-28)

The past experiences from sustainability reporting have therefore been essential in the company’s motivations regarding the ambitions level set for the CSRD implementation (R1, R3, R4, R6). However, although ambitions have been high over the last few years and being essential to the company’s identity, they also state that their efforts have not gained the desired acknowledgement that they think it deserves. Another explanation of why the company has chosen a high ambition level for CSRD is therefore that their sustainability efforts can be better communicated to stakeholders through the new stricter legislation and its implementation (R1).

“And it's not just because we need to be compliant with CSRD, but also because we've done so many great things in the sustainability field. But we haven't always shared so much about it with all our stakeholders, so this is actually a very good opportunity for us to show all the good things we do. So it adds so much more than just being compliant for CSRD. We want to tell all investors about the great things we're doing, so we actually see this as very positive too.” – R1 (2024-02-12)

However, as previously mentioned the legislation currently allows companies to either disclose or explain. This means that the affected entity does not need to have numbers available for the annual report of 2025, but in such case, they need to be transparent and explain the targets and strategies set to achieve future compliant disclosures (O4). The ambition can thus, as of 2024, be set lower for the company. Despite such an alternative the company still set their ambitions to achieve compliance by disclosure rather than explaining their efforts. Another motivation was that the arrival of new legislation, CSRD, led to increased pressure from external stakeholders demanding disclosed numbers. Such pressure alongside the additional benefits that close stakeholder alignment brings has therefore become another motivation for the ambition level. One that is not solely based on past experiences (R1, R6, O4).

“There are indeed many different aspects here. One of the things driving this transition is the new regulatory requirements, such as CSRD, among

others. Naturally, we want to comply with the law, so we have to adapt to meet the requirements of CSRD, that's just a minimum ... We see many benefits from having a good sustainability reporting. If we are transparent towards all our stakeholders, it can give us increased business advantages in terms of more sales, and it's also good for employer branding. It can be easier to recruit because many people want to work for a company that has good sustainability practices. – R1 (2024-03-19)

That said, the ambition level set has shown to cause issues throughout the organization, as the process of assuring compliance is time-consuming and therefore requires a great deal of resources (R1, R3, R6, O3, O6, O8, O10). Leading to that the ambition level set for CSRD has been questioned as well as being one of the major risks for the project (R1, R3, O8).

"One can interpret ESRS in different ways, and one can determine the level of ambition. We really want to be very ambitious and do everything very well and even better. But can we manage it in practice? Do we have the time? We try to set it at some kind of good level where we report better than before, but not overly ambitious because then we will never reach the goal." – R1 (2024-02-12)

"And I think that's where it comes into the question of this kind of two, three options there's. [E5] programme have to find resource to do it. The Sustainability Reporting programme have to find resource to do it. And that comes with a question of budgets and where the cost sits and that, or the ambition is dramatically reduced." – R3 (2024-02-28)

However, once again the past experiences of lacking sustainability reporting focus influence the reasoning behind the ambition level chosen. The lessons of not fulfilling stakeholder expectations are constantly in the back of their minds (R1, R4), thus resulting in that low ambitions are deemed to be too risky (O8) and is therefore no option with the CSRD implementation (R1).

"Long-term, it could become very difficult to conduct business. There are so many expectations now that companies are proficient in sustainability issues and also in sustainability reporting, so it might become challenging in the long term to sell to certain customers. They expect to have a supplier that is proficient in these matters. It might also become harder to recruit, especially in certain countries. Similarly, investing capital might be affected; investors might actually leave companies with a poor reputation in sustainability issues. So, we believe that being proficient in these matters is a matter of survival." – R1 (2024-03-19)

The influence of stakeholder expectations on ambition level is then furthered, especially in the form of ESG-ratings. Although CSRD only require companies to reporting on material ESRS topics and in accordance with the EU taxonomy (D1, R1), many external stakeholders, such as investors and customers, also require a high ESG-rating issued from established rating institutes

(R1, R4, R6). Thus, in order for the company to meet those additional requirements and expectations they need to collect and disclose even more information than what is required from the regulation (R6). Leaving them in a situation where a low ambition level is hard to aim for, as there are several aspects regarding sustainability reporting interact and push for ambitious disclosures (R1, R3, R4, R6, O1, O4, O8).

“To give you an example, water is not considered a material issue for us when we look at the double materiality analysis. However, there is significant interest from our stakeholders and from many ratings that we still report on this area, so we choose to include it in our annual report. But we also see that we don't gather enough information about our water usage to satisfy all the requirements of a rating. Therefore, we also allocate a considerable amount of time and energy ... to provide input for these various ratings and to adapt external reporting to meet requirements and expectations.” – R6 (2024-03-15)

In addition, internal stakeholder expectations also push for a high ambition, since sustainability has become so essential to the company's brand and identity (O2, R1, R3). Their internal communication is therefore heavily motivated by the set ambition, as failure of showcasing such ambitions and the alongside transition leave the stakeholders such as employees disappointed which can then affect the external stakeholders (R2).

“A negative experience from a change project tends to carry over into the next work. It's not just because the project eventually ends that you start feeling good again; these negative feelings persist. And you've developed a negative perception of the company, making you less enthusiastic about the next change that comes along.” – R2 (2024-02-28)

Another motivation, besides stakeholder expectations, of company's ambition level been the varied existence and experience of collaboration with other companies regarding the implementation of CSRD. The company has had a history of collaborating with other companies, regarding earlier sustainability matters. The outcome of these collaborations has been viewed as prominent as it has allowed them to learn from each other and exchange knowledge which has aided those ambitions to be set (R4, R6, R7).

Drawing from these past experiences, SKF has therefore expressed a desire to communicate with other companies in order to gain deeper insight into what ambition level other companies have set and how they are handling some of the challenges. However, the extent of these meetings has been minimal due to time restraints and lack of public information from other companies (R1). Mutually beneficial meetings or discussions has therefore not been able to aid the company to a greater extent, which has left them on their own to a large degree to determine their ambition level (D1, D3, R1, R3, R6, R7, O3, O4, O8).

*“So, somewhere it would have been a bit reassuring to know what the largest publicly traded companies are doing, at least to reach a good level.”
– R1 (2024-02-12)*

The company has also had help from a consultancy firm and the company's auditors who has provided them with guidance and support in the CSRD implementation process. The possibility of utilizing consultants was thus also a partial key for the ambition level set (D1, R1, R6, O3, O5, O6, O7, O8, O9, O10). However, it has become evident that the support needed is vast, as several of the respondents highlighted that there are no best practices on how to implement the regulation properly for their area (O3, O4, O6, O7, O8, O9, O10, R6, R7). This lack of best practice knowledge among specialists has thus led to instances of contradictory advice from auditors and consultants causing confusion (R1, O3, O4, O8). The confusion is not unexpected since the regulation is evolving and new to experts as well (R1, R6, R7, O8).

This issue has become even furthered as aid from collaboration with other independent companies also facing CSRD has been minimal. But there has been some instance where collaboration have been utilized, in particularly the area of creating performance measurements but the usefulness of such has varied (R3, R7, D4).

"But there's all of these documents. This one is the one I'm talking about. The circular transition indicators from World Business Council. This is really good, so it's basically a group of 50 companies. Ish. who've come together and said all right, we're all facing these. This CSRD it doesn't make sense for us to all go and do our own thing. So, like, how can we have a consistent set of indicators? And it's these companies they give really good steer; basically taking it that one step further from the actual regulation itself. It says OK, based on what the regulation wants, what could we as businesses do? And I think it's a really good steer. So we've taken that as a big input." - R3 (2024-02-28)

"We always have networking meetings to meet people from different companies, and CSRD is what everyone is talking about right now, so that way the question often comes up. At the same time, I can't say that even though it's been on the agenda at many such networking meetings with large multinational companies, I don't have a feeling that they get much help in that discussion." – R7 (2024-03-19)

The varied aid from both consultants and other affected companies has therefore influenced the ambition level set for CSRD by the company. The underlying corporate characteristics and processes for sustainability reporting varies between companies, indicating that it is essential to have an understanding for the organization at hand in order to provide proper guidance (R2, R6). Thus, the gains from outside support are not always obvious which has led to company to need to adapt their own solutions with their consultants thereby affecting their efforts and ambitions (R6).

"There isn't really the space that I would wish for to do benchmarking and participate in networks and so on. A question that was raised quite early on was access to training, materials, support, and so forth, but if one is to be completely honest. From what we've seen so far, there's a lot of uncertainty everywhere. Many are eager to sell various CSRD-related seminars or the

like, but they may not actually have all the answers because it's still evolving, and there's uncertainty about how things should be applied. So, I would say that for all of us who want to do it, it's a bit of learning by doing in collaboration with [the consultancy firm], who are also supporting the program itself. [The auditing firm], who are our auditors, are two important sources, and then for my own part, it's about participating in shorter seminars and webinars offered by various consulting firms and so on." – R6 (2024-03-15)

The high stakeholder expectations combined with the limited guidelines from external corporations has been argued to create a harsh environment for ambitious implementation, as the setting requires a great deal of fast paced change in a situation where the ambition can be lowered and still ensure compliance (O4, O8, R1, R3, R6). The reoccurring argument for why the ambitions are not lowered despite the incentives to do so are that sustainability and its reporting has become so essential to the core business model and the brand (R1, R4, O8).

"We don't want to report anything just because it looks good. We actually want to try to be part of solving this big sustainability challenge or challenges, including climate change and biodiversity loss. So, these are huge challenges that we need to address, and we can actually be part of addressing them." – R4 (2024-03-08)

"Yeah, exactly. It's all a bit confusing. Which ones emphasised. Yeah, but I think SKF are really proud of it. It's very important from a staff morale point of view and it seems to be very important for the team that this is seen as wider organization that they like that." – R3 (2024-02-28)

The importance of being a company which takes sustainability seriously and therefore does not delude their efforts, have been further acknowledged by the way the company operates in sustainability. The ambitions set were in the end a top-level strategic decision, and although it still remains ambiguity regarding such ambitions (R1, R3) the actions taken, such as establishing a responsible sustainability reporting team, are still focused on delivering sustainability efforts rather than simply displaying them (R1, R4).

"We have the mission to be somewhat at the forefront when it comes to sustainability issues strategically, meaning, what's in progress? This can range from new legal requirements for both products and processes and our operations, including reporting, which we can come back to. But also emerging customer demands, investor demands, and demands from other stakeholders, so we have the mission to ensure that we somehow have a future outlook. And then we also have the mission to drive our sustainability work towards industry leadership, and this level of ambition was set last year by our top management." – R4 (2024-03-08)

So I think if anything, SKF will probably be too puritanical. And not as pragmatic as what other big industrial companies will be. And that might

have the result that the claims we're making or what we're disclosing, are not as seemingly wonderful as what other companies are who actually have much worse situations than what SKF do. But we're like, so set such high standards for ourselves and that I think that's probably the biggest risk. – R3 (2024-02-28)

The actions taken are therefore connected to the ambition set, and the ambitions set are heavily connected to the foundation of the corporation. High ambitions are therefore in the end something that stems from their own initiative rather than purely stricter regulations (R1, R4).

“Reporting itself supports sustainability efforts. It's easier to track progress on our goals if we have good sustainability reporting, and there's increased interest from organizations in being good at these issues and so on. So, being CSRD compliant involves many aspects.” – R1 (2024-03-19)

Incorporating sustainability has over time led them to many great benefits which they further want to capitalize upon, to have sustainability deeply connected and intertwined is therefore reasoned to be essential to their survival as a corporation. Setting high standards therefore boils down to a strategic and organizational value that such efforts are of great importance and should thus be handled accordingly (R1).

5. Discussion

The following section is discussing the findings by connecting them to the literature in the frame of reference. It provides insights into the areas in the research questions by discovering what findings are in line with the previous research, and what aspects that has not been previously discovered.

5.1 Early Implementation by the Management Accountant

5.1.1 Organization

When reviewing the empirical findings of the implementation of CSRD during the first three months, it provides a deeper insight into how the management accountants role is evolving within an organization. The introduction of CSRD seemed to expand the role of the management accountant further, as the management accountant has had a prominent role to lead the implementation. Sustainability reporting is a part of the field of sustainability, which previous research has discussed as an important new area for the management accountant to be a part of (Baumgartner & Rauter, 2017; Burritt, et.al., 2023; Crutzen et.al., 2017). However, with the increased similarities between financial and sustainability reporting has led the company to separate the fields of sustainability reporting and sustainability strategies. This is due to that both areas contain its own challenges and requirements, such as the understanding of reporting regulation or formulating adequate strategies for company development. Although different companies might have different solutions to how they structure their organization, this gives an indication that sustainability reporting and strategies are separate areas, involving separate requirements.

Moreover, as the introduction of CSRD involves significantly increased requirements from the companies, it means that the organization needed to review their processes and work streams in order to take the measures necessary to be compliant with the regulation. Thus, having a prominent role within the organization where they are able to influence the processes seems to have been essential (Chenhall & Langfield-Smith, 1998). Having a supporting project group from different areas of the organization (Appelbaum, et. al., 2012) has further been essential, since the requirements within CSRD is covering the full company. Thus, supporting the management accountant with their expert knowledge within their specific fields. The role of the management accountant therefore seems to be increasingly similar to a project manager within the implementation. Since the introduction of CSRD seem to be connecting the field of sustainability, reporting, and implementation of change, it further expands the role of the management accountant as this involves a separate set of requirements from the management accountant.

Considering the new role of the management accountant, it can further be considered the tasks required and tools available to help the process. For the case company it was helpful to make proper preparations (Misra, et.al., 2006) where they located what the requirements from the new legislation were and where they had gaps in relation to those requirements. Thus, enabled the company to understand extent of the new requirements. Establishing a clear vision for the project has further been highlighted by scholars to enable the company to have a unified direction (e.g. Appelbaum et. al., 2012; Whelan-Berry & Somerville, 2010). This aspect has

been enabled by the preparations of the implementation, as the preparations created a roadmap for the company in regard to what they needed to do.

Another aspect discussed by scholars is to create clarity regarding the tasks of the individuals involved within the project (Crutzen, et.al., 2017). This has also been enabled in the preparations of the implementation since it enabled them to understand where they needed to put their focus. In addition, they also used tools available to divide the responsibilities and continuously discussed afterwards as they have been moving forward in meetings where they have been discussing their progress and the next step forward. Therefore, it seems that creating short term goals (Appelbaum, et.al., 2012) throughout the project has several advantages. Previous research has stated that it enables the accomplishment of a momentum (Pietersen, 2002). Moreover, in the empirical findings it has further been recognised that it creates clarity for the employees implementing CSRD what is expected by them as individuals.

In order to manage the implementation of CSRD, the requirements of the management accountant in terms of personal abilities and qualities have increased. As the project involves several people with knowledge in their specific fields, having leadership qualities (Caldwell, 2003) has shown to be essential. Furthermore, understanding the organizational processes has also been important, as the requirements from CSRD are very connected to the operational processes of the company. Which makes it difficult for outside sources to be responsible for implementing CSRD, since they lack the organizational understanding. Moreover, as the requirements within sustainability reporting becomes increasingly similar to financial reporting, it has become of greater importance for the management accountant to have extensive reporting knowledge, which is more common within the field of finance. Thus, the traditional abilities of the management accountant (Langfield-Smith, 1997; Simons, 1995) seems to be of great relevance when implementing CSRD. The notion that a management accountant within sustainability should possess knowledge within the sustainability field (Burritt et.al., 2023) has not been as obvious when implementing CSRD at the case company.

The qualities required of the management accountant might differ depending on the qualities within the project group. This means that if there are no other resources available with knowledge within sustainability, or other areas available, then the requirements of the management accountant might increase further. In literature, they suggest that the influence of the project group should be prioritised before their knowledge (Lines, 2007). Although the group members seem to have had influence within the company, it seems that their knowledge within their different fields and the organizational processes has been one of the main priorities when implementing CSRD. This has further led the company to create a specific sustainability reporting team consisting of management accountants leading the project group and implementation, giving support to literature highlighting its importance (Contrafatto & Burns, 2013).

Although the introduction of CSRD involves changes for the management accountant, there are areas previously discussed by scholars that has shown to be of importance for CSRD as well. One such area is the support and help from other parts of the organization (Chenhall & Langfield-Smith, 1998; Appelbaum, et.al., 2012). As the introduction of CSRD is covering a large part of the organization and require a large portion of resources and time, it has been

essential for the management accountant to receive support from managers (Chenhall & Langfield-Smith, 1998), more specifically the top management. This help has been essential in the implementation of CSRD due to the complexity of the project and the amount of resources necessary.

Another organizational aspect which has shown to impact the management accountants with the implementation of CSRD is how dynamic the organization is for change (Hatch & Nilsson, 2000). The case company has had a history of putting great emphasis on their sustainability reporting, which has helped them in their transition. Furthermore, due to the extent of the new regulation, it has been helpful for the company to be proactive, where they acknowledge CSRD early, thus enabling them to make the changes necessary in time. One of these changes was to assign the management accountant and the sustainability reporting group to be in charge of the reporting. Despite these changes, it has been vital to have a dynamic organization within the project as well, which has further been enabled by the support from the top management. As the project has proceeded, they have found new areas to consider and greater needs for resources, which has made the support essential. This has further made it difficult to finish the RACI with establishment of responsibilities, as the project has been constantly evolving, with new areas to consider.

5.1.2 Communication

One of the main actions taken by the management accountant and its peers with regards to communication during the implementation of CSRD was to identify stakeholders with focus on the internal ones. These stakeholders were mainly strategic level individuals and those in the recently created sustainability reporting team as they were deemed to be of priority in the early implementation phase. This adds some support of the notion, at least in initial stages, that internal stakeholders should be prioritized in greater implementation efforts (Fatima & Elbanna, 2023). Although it was mentioned that similar efforts could be added for external stakeholders which should be acknowledged.

However, a notion that can receive further support by the findings is the degree to which internal stakeholder communication is developed. As these aspects were tailored to individual preferences which were appreciated by those selected. This could bring additional support to those stating that internal stakeholder communication aspects shall be individualized (Bartoo & Sias, 2004; Clampitt & Downs 1993; Sutton, et.al., 2022) rather than addressed the same for all internal stakeholders (Welch & Jackson, 2007; Kalla, 2005). However, it could also entail that these efforts also were more related to hierarchical level (Steyn & Puth, 2000) as these individualized communication aspects were questioned for the remaining internal stakeholders due to time and resource concerns. It therefore remains some ambiguity regarding how such efforts can be carried out in longer run of CSRD implementation. Especially as the company operates on a global level with approximately 40 000 employees. It therefore seems as if those initial communication efforts, which were individualized and aimed for higher strategic communication, were of greater importance and ambition which could not be replicated throughout the entire organization. The argument for such efforts (Bartoo & Sias, 2004; Clampitt & Downs 1993; Sutton, et.al, 2022) would thus not at least on an overall organizational level be feasible with regards to CSRD implementation but still suitable for a more condensed

strategic level. This adds further support to the claim that internal stakeholder communication shall be developed with hierarchical level as guidance for scope (Steyn & Puth, 2000).

With regards to the content of the communication efforts, there was great emphasis by those responsible to create a purpose and vision for the implementation of CSRD. This purpose was also communicated frequently and those interviewed felt that they understood the intention and goal of the implementation. This adds support to the literature stressing its importance (Kotter, 2007; Schaltegger & Burritt, 2015; Beusch et.al, 2022). However, there was also frustrations expressed that there were loads of questions and areas regarding CSRD which made a unified purpose feel of lesser importance. Especially as the implementation was mandatory and demanded effort to assure legal compliance. This could act as a counterargument stating that visions might be too emphasized in literature. As this implementation of CSRD serves as an instance where the end goal is rather straightforward and mandatory, that being compliance or not. Other communication aspects might therefore be of much greater importance than what prominent literature currently suggests (Kotter, 2007; Schaltegger & Burritt, 2015; Beusch et.al, 2022).

Another area of the communication efforts were the frequent meetings which occurred every week, with a few exceptions, throughout the initial implementation phase. These meetings were short and involved those connected to the CSRD implementation thus making several departments interact with each other and their own and overall progression. This was stated by several interviewees as initially very helpful as dependencies and problems could easily be identified whilst also aiding everyone's knowledge of the work. This was especially helpful as CSRD involved several issues and hurdles in different areas meaning that problems were often identified quickly and holistically. This adds further support to the literature arguing for frequent communication and its benefits (Chenhall & Langfield-Smith, 1998; Kotter, 2007; Neves & Eisenberger, 2012; Schaltegger & Burritt, 2018; Sutton et.al, 2022; Beusch, et.al., 2022). It also added support to literature stating that organizational department interaction is of greater importance for implementations (Beusch et.al, 2022) rather than strong communication from just upper management (Neves & Eisenberger, 2012). Especially as CSRD implementation showed to be a matter where several different departments need to work together whilst also being dependent on each other's knowledge and progression.

However, similar to the area of project purpose there were frustrations that the frequent meetings became too much for the implementation. CSRD did result in great issues and problems which occurred constantly, to have frequent meetings were therefore not always desired nor feasible for those involved as solving issues became the main priority. This does not deem frequent meetings and updates as unnecessary, but the findings highlight a needed nuance to the literature (Chenhall & Langfield-Smith, 1998; Kotter, 2007; Neves & Eisenberger, 2012; Schaltegger & Burritt, 2018; Sutton et.al, 2022; Beusch, et.al., 2022). That being that CSRD's extent and workload is massive, thereby causing a strikingly hard balance to find between frequent briefings, creation of mutual understanding and performing individual work. Frequent communication was thus on one side essential for implementation progression but on the other side a severe time demanding activity somewhat halting progression. This

notion is important for scholars to further address as frequent communication is often taken for granted as solely beneficial for the implementation and those affected by it.

A further aspect regarding clear communication is that CSRD not always enabled communication to be clear and easily understandable due to its legislative demands. As several meetings showcased difficulties for the project team to understand its requirements and therefore asked for it to be simplified. This was deemed not to be feasible as crucial aspects could be missed and potentially result in non-compliance. Thus, illustrating that although clear communication is desired it is not always achievable, meaning that expertise and knowledge are sometimes needed more than easily digested communication. This adds a nuance rarely addressed by literature (Chenhall & Langfield-Smith, 1998; Kotter, 2007; Neves & Eisenberger, 2012; Schaltegger & Burritt, 2018; Sutton et.al, 2022; Beusch, et.al., 2022).

The solution was then again, more meetings with experts to enable a better understanding to those struggling and further dedication of resources. This notion also contributes to the discussion that management accountant should also consider learning initiatives and education aspects into their communication (Fatima & Elbanna, 2023). But it also adds further insight to the issue of balancing communication aspects and achieving project progression, which seems to be a reoccurring problem in CSRD implementation.

Although significant efforts were dedicated to the communication efforts it shall be noted that academically commonly mentioned hinders (Lozano, 2013) were still present. Mainly the lack of understanding their own tasks and insufficient time were mentioned during interviews and observations. However, this was not found in lacking communication efforts but rather, again, the extent and essence of CSRD. The new legislation created many issues, such as legislation understanding and formulation, which could not be resolved by communication aspects. The management accountant could aid by connecting those with similar issues and knowledge, but the legislation was in the end problematic in itself. Bridging this gap could thus not be solved by communication aspects alone which is something rarely mentioned in the literature (Kotter, 2007; Lozano, 2013; Shchetinina, et.al., 2023). CSRD therefore seems like an implementation effort to be one of major proportions. One which requires a great deal in terms of communication but also to balance such efforts to not restrict those in charge of solving it. The management accountant therefore needs to acknowledge that this legislation poses severe challenges which prior sustainability implementations has lacked in terms of communication efforts.

5.1.3 Performance Measurements

The essential starting point of developing new performance measurements was the double materiality analysis conducted during spring 2023. Given the academic discussion regarding the issues of previous legislations' definition of materiality (Raith, 2023; Jørgensen, et.al., 2022), it is of interest how this set of problems interacts with CSRD. For ESRS there are a specified definition of double materiality being both financial and impact materiality (EFRAG, n.d). A common definition was not present in the NFRD thereby resulting in the great issues of inconsistency, confusion, and lacking accounting quality (Raith, 2023; Jørgensen, et.al., 2022).

This issue seems by the study to be fairly solved with CSRD. The materiality assessment carried out for ESRS was described as straightforward and easy to conduct by the management accountants and its peers. Instead of inconsistent and uncertain materiality aspects the company stated to have a clear view of why topics, such as climate change, circularity, and own workforce, were material whilst others, such as marine resources and indigenous communities, were not. The same reasoning was also applied to the EU taxonomy, but it was acknowledged that these mandatory material aspects seemed to interact somewhat inconsistent, thus forcing the company to report on EU taxonomy topics that were not deemed material in the double material analysis. The materiality was therefore clear in the respective legislation but could on an overall level for all aspects of CSRD become problematic. This suggests that the discussion regarding double materiality can gain some valid nuance as ESRS individually illustrates a case where double materiality works rather effortlessly.

This creates an argument that scholars arguing for a single materiality approach due to shortcomings of double materiality (Abhayawansa, 2022) might need to rethink their stand. As ESRS shows an easy way of determining material aspects for an area as complex as sustainability. However, it shall be noted that double materiality is yet not flawless. The increased focus on several aspects did require a significant increase in resources in the studied company. This occurred despite the company already having previous double materiality standards in place. This illustrates that double materiality most likely will increase costs and resource needs, which has been stated as a previous issue (Baumüller & Sopp, 2022). It also illustrates that companies despite already practicing double materiality have significant gaps in their earlier sustainability reporting which needs to be addressed, an issue also stated by researchers (Correa-Mejía, et.al., 2024).

Worth acknowledging is that materiality aspects are still problematic regarding voluntary ESG reports. The partial mandatory materiality inconsistency between ESRS, and the EU taxonomy was therefore furthered by voluntary efforts. Matters assessed not to be material in both ESRS, and the taxonomy was then essential for certain rating institutions, such as water consumption, whose definitions rarely overlapped. This led to even further additional workload and resource demand. One can therefore see that material aspects are a problematic area in the field of voluntary ESG ratings which adds complexity for the management accountant and sustainability reporting. This issue has been addressed in literature (Garst, Maas, & Suijs, 2022) and still seems to be a prevalent problem at least for companies who voluntarily report on such matters like the company in this study. In short, materiality is on mandatory basis fairly covered in CSRD and seems to resolve most earlier mentioned issues. However, it still has some downfalls of greater resource need and workload, which is further increased if the company adds voluntary efforts.

Moving away from materiality aspects, another central area for the management accountant was their own knowledge and practicalities to handle the implementation of new performance measurements. A fundamental problem for the management accountant and its peers has been to understand what the legislation entails them to disclose. This was not connected to materiality aspect but to datapoints specified in ESRS's topical standards and the EU taxonomy. It was not certain to them what these meant, meaning that their prior experience regardless of field became

second as legislative understanding and accounting principles became more central. The suggested knowledge by researchers (Schaltegger et.al, 2022; Burritt et.al, 2023) regarding the essentiality of great expertise in niche sustainability topics to develop accurate performance measures can thus be questioned.

However, the notion (Schaltegger et.al, 2022; Burritt et.al, 2023) of how the management accountant shall set the extent of performance measures and use tools like the EU's GHG protocol for data estimation seems to be more aligned with the findings. Although these articles failed to capture how complex such areas were, it still showcases that those are relevant for the management accountant and close peers. The scope of CSRD's data collection stretches from relatively small and local to vast and global, the extent is therefore set by the legislation, but it is still up to the management accountant to figure out how to capture these datapoints. The methods proposed, such as EU GHG, are thus of great use but the findings further indicate that finding and estimating data is often through internal systems and available stored information. The suggestions of adequate IT capabilities for successful implementation (Nguyen, Chen & Nguyen, 2021) have thus found further support from this study. Especially as most of the issues regarding performance measures had the common denominator of IT related capabilities. However, the suggestions by scholars (Contrafatto & Burns, 2013) of storing sustainability related information in separate databases is not a feasible solution, although desirable, as the vast network of systems in corporations as the one studied is too vast to be altered in such a short manner. Although respondents and observants have stated that it would be beneficial and enable more efficient workflow, it was still determined to aim for interim solutions as it otherwise would be too costly to adapt. Thus, gaining researchers a needed nuance of the extent that these legislative changes demand from organizational processes and systems already in place.

A final note regarding performance measurement was the development of internal controls. The study was not able to investigate due to time constraints and their dependencies of new performance measures being completed. There was therefore no detailed insight into this matter. However, the notion (Rafi et.al, 2022; DeSimone, et.al., 2021) that sustainability measurement controls are a new and unknown task for those operating in internal controls can be supported, as this department had not been involved in sustainability reporting previously. Although controls had been in place from a separate department it was now transferred to those operating under the finance department which proved to be an unexplored area for them. CSRD and its increased emphasis on audit of internal controls can thus be reasoned to influence organizations and work needed from the management accountant even for internal controls.

5.2 Rationales of Choices

The discussion regarding the management accountant and its peers could be summarized as that CSRD, alongside its implementation, will be a demanding process based on the efforts the company has made to assure compliance. However, it is also essential to understand why they've made these efforts and understand the rationales behind them to gain further understanding of CSRD. In short, the rationales stemmed from both earlier experiences of sustainability reporting and current issues they had to handle during the three-month thesis period.

A central motivation for the company was that a previous brief period of lowered ambitions, neglecting voluntary ESG disclosures, caused stakeholders such as investors, to raise concerns and questioning such decisions. This decision was almost immediately reversed due to the backlash and manifested increased ambitions regarding sustainability efforts and reporting. This gives further support to the fundamental legitimacy theory (Meyer & Rowan, 1977) as the company quickly conformed with institutional rules and expectations. It also supports the notion that such efforts are furthered when concerns are highlighted by stakeholders (Albert & Whetten, 1985).

However, adhering to stakeholder expectations was not the sole lesson of these prior lowered ambitions, as sustainability also became more intertwined into the corporate business model, strategy, and identity. Following such prior decisions the company has now, as of CSRD, a long history of certified and accredited high quality sustainability reporting which is deemed essential to their brand and identity. Implementing CSRD was therefore stated to be of great importance as they felt that their ambitions and identity could be given further attention, thereby acting as a valuable opportunity for the organization. One could therefore argue that corporate identity and reputation literature (Soewarno, Tjahjadi & Fithrianti, 2019; Dowling & Pfeffer, 1979; Tourky, et.al., 2020; Deephouse & Carter, 2005) also serves as a fundamental motivation for organizational behaviour.

This argument receives further support since the high ambitions were also stated to be due to the uncertainty of industry ambition levels of CSRD. The lacking opportunity to benchmark and compare efforts to industry peers made the company lean heavier towards their own experiences and identity to define the ambitions for CSRD. This also supports the notion that mimetic isomorphism (DiMaggio & Powell, 1983) was desired but not present as the interaction between companies was greatly limited due to time constraints. However, this notion connects back to that the uncertainty of CSRD and the lacking aid from industry peers made the company rely even further on their own expertise and identity to implement CSRD. There were also statements stating that the company wanted to showcase their experience and competence within the area and further improve the public perception of them as sustainable. Which are notions also addressed by scholars (Lawrence, 1998; Suchman, 1995) as motivations for organizational actions. Once again, the ambitions set for the implementation of CSRD were aimed high due to the company's identity as a sustainable corporation which further supports literature (Soewarno, Tjahjadi & Fithrianti, 2019; Dowling & Pfeffer, 1979; Tourky, et.al., 2020; Deephouse & Carter, 2005) that one key rationale behind the efforts made is the corporations identity. As seems to dictate both expectations placed on the company by stakeholders but also as a driving motivator to guide company actions and ambitions.

The concept legitimacy and that corporations seek such thereby explaining their behaviour (Meyer & Rowan, 1977), can find great support from this thesis. Especially as the extensions of the legitimacy definition such as corporate identity (Soewarno, Tjahjadi & Fithrianti, 2019; Dowling & Pfeffer, 1979; Tourky, et.al., 2020; Deephouse & Carter, 2005) are considered. Based on the findings, one seems to understand corporate actions regarding CSRD better through the varies definitions of legitimacy since several of them has been prevalent in their motivations of their actions.

However, in the case of CSRD corporate identity cannot be described as the sole rationale to understand corporate actions and ambitions set. As mentioned, a frequent desire expressed was to gain inspiration and collaboration from industry peers to solve problems and resolve uncertainties caused by CSRD. There had also been instances where other corporate reports had been used to act as guidance and inspiration. This gives support to that mimetic isomorphism (DiMaggio & Powell, 1983) have also been a partial explanation for organizational behaviour and that such benefits (Gao, 2010; Korca, et.al., 2021) are desired since the company in a few instances tried to mimic others to resolve their own uncertainty.

However, as mentioned this was not largely found helpful. Most predominantly as the aspects of CSRD implementation and its issues are too individual for the company. Mimicking other would therefore only result in severely limited advantages which often had to be revised as the implementation progressed. The same argument was also stated regarding existing discussions within the industry. Not only did the company lack sufficient time to dedicate resources to such collaborative efforts but they were also not fruitful, leaving them unutilized. This acts as an argument that both mimetic and normative isomorphism (DiMaggio & Powell, 1983) and its benefits (Gao, 2010; Korca, et.al., 2021; Adnan, et.al., 2014) are desired but not feasible for CSRD implementation. As there is lacking amounts of information to mimic and insufficient collaborations to participate in to aid organizations to progress. This draws valuable insight to fundamental legitimacy theory (Meyer & Rowan, 1977) as the key concept isomorphism and its developments (DiMaggio & Powell, 1983) offers a partial but limited explanation to understand organizational behaviour in the case of CSRD.

Another main rationale for the high ambitions was that they were deemed essential to achieve basic compliance and that lowered ambitions and actions would result in non-compliance which was not an option. Although the CSRD, for the initial three years after 2024, allows for some relaxation in disclosures the company still aimed to achieve compliance by fiscal year 2024 rather than lowering ambitions. It was thus stated that CSRD essentially forces them as an already ambitious sustainability reporting company to improve. The actions made and the ambitions set were therefore also a fundamental baseline to assure that compliance was reached and that negative consequences of insufficient efforts were minimalized. As the negative consequences were vast and ranged from restricted capital inflows, damaged stakeholder relations and reputation, bruised corporate identity and missed opportunities to improve an essential existing and prominent strategic advantage. In the end these ambitions and actions were taken to assure organizational survival and not acting in accordance with should was not an option. This gives support that CSRD on a general level seems to decrease decoupling efforts (Meyer & Rowan, 1977) which NFRD could not (Fiechter, et.al., 2022; Roszkowska-Menkes, et.al., 2024). Especially since the company's actions are within in areas where scholars have found decoupling efforts previously (Contrafatto & Burns, 2013; Liu, et.al., 2023; He, et. al., 2023; Gebhardt et.al, 2022).

However, it should be noted that this claim does not have full support due to the limitations of the thesis. Decoupling should thus be investigated over a period and in closer detail. Especially with regards to evaluate firm sustainability performance (Gull et.al, 2023; Garcia-Sanches, et.al., 2022) against the preparations and statements made prior to such reports are released.

But, as stated, the actions taken to assure basic compliance with CSRD gives indicates of severe efforts needed, meaning a great transition from the previous NFRD which initially seems to decrease decoupling initiatives.

Moving over one could argue that a feasible explanation of the corporation's actions would be coercive isomorphism (DiMaggio & Powell, 1983) as CSRD fits a narrative of coercive pressure, via new legislation, on organizations. However, the findings from this thesis shed light on multiple other explanations. Those being that legitimacy primarily in the form of corporate identity and lacking collaborative initiatives due to the legislation's formulation acts as rationales for organizational behaviour. Earlier studies regarding sustainability reporting which draw links to coercive isomorphism (Fitriasari & Kawahara, 2018; Stefanescu, 2022) therefore seems to be too simplified explanations. CSRD therefore seems to be a phenomenon which is complex in its nature as motivations range and show different nuances, thereby making it hard to explain utilizing niche concepts, such as coercive isomorphism, in isolation. This serves as a valuable insight to the academic discussion more generally as largely established and utilized concepts to explain corporate behaviour regarding sustainability reporting, at least in the case of CSRD, falls short ones studied in isolation.

A central part which legitimacy theory fails to capture with regards to CSRD, despite its wide concepts, is the nuance of balancing efforts. One can therefore with legitimacy theory understand why the company acts in a certain manner but one cannot understand how these motivations needs to weight against one another and interact. On one hand you have the desire to appear as legitimate and the regulation affecting such enabling a high ambition whilst on the other side there is an increased demand of internal resources due to the ambitions level which is also furthered by the lacking available collaborative initiatives. This conflict is harder to showcase utilizing the theory as it concepts often refers to studying on manner through one view rather than looking at all of them simultaneously and how they interact.

With that in mind, it is still reasoned that legitimacy theory (Meyer & Rowan, 1977) could capture the essential of motivations for what explained organizational behaviour in the case of CSRD. And that such motivations to a large degree were connected to the notion that adhering to social expectations assures organizational, in this case corporate, survival. Therefore, this thesis support to the foundation of legitimacy theory (Meyer & Rowan, 1977) as one could understand the actions made in the CSRD implementation to a great degree utilizing it concepts as legitimacy, isomorphism, and decoupling. Thus, also bringing further support to the notion that legitimacy theory at its core as well as its extensions has developed adequately to capture modern phenomenon (Patten, 2020) such as CSRD.

6. Conclusion

The conclusion section provides a summary of the discussion by answering the research questions and explaining what new insights the thesis is contributing with. It further provides suggestions for future research and explain what ethical considerations that has been considered throughout the process.

6.1 Thesis Conclusion

To conclude, the early implementation of CSRD seems to have led to drastic changes for the management accountant in the areas of organization, communication, and performance measurements. The organizational aspects indicate that the management accountant's role is expanded upon to a project leader rather than reporting specialist to handle the implementation. Despite the role changing in this direction the knowledge of financial reporting processes is still deemed crucial for implementing suiting changes for CSRD. The specialist knowledge regarding sustainability matters therefore seems to be delegated to the project team rather than being demanded by the management accountants themselves, resulting in a broad but not topic specialized required toolbox for the management accountants. However, this might differ in other corporations with different resources available and organizational features. In a different setting it may therefore imply a broad and specialized required knowledge from the management accountant thus most probably expanding the complexity of CSRD implementation. Furthermore, as an organization it seems essential and beneficial to be proactive and preparing for the implementation due to the vast changes that the directive originates. It is also beneficial to ensure a dynamic organization as preparations could not themselves solve all issues stemming from the CSRD implementation. Thus, being proactive yet dynamic seems to be crucial features of an organization facing the new directive, as its problems ranges from long-term goals and short-term unexpected, needed adjustments.

When it comes to communicating the implementation and its changes to the organization there are several aspects to consider. One area is to understand the demands and needs within the organization regarding what kind of communication they require, where identifying and setting a relevant scope for those involved is a central problem for the management accountant to handle. Moreover, there is also the difficult balancing act to determine the level of communication necessary, as the CSRD implementation involve frequent topics to discuss and a great deal of work to be conducted. Keeping the organization briefed yet not overwhelmed with time consuming communication is therefore a central issue to handle. Regarding the area of performance measurements, the ambition set by the company will be crucial, especially for voluntary disclosures as it will affect the complexity and workload of ensuring compliance. Mainly since this area seems to involve issues regarding legislative understanding, data collection and data estimation which is furthered by high ambitions. The matters related to data is also heavily reliant on IT resources, as these capabilities are highly influential.

Regarding the rationales behind the efforts of CSRD there were many compartments which were found essential. Most notable were the prior experiences of sustainability reporting which over a greater period had resulted in an established corporate identity. This identity alongside the demanding legislation of CSRD guided and resulted in a set ambition which drove the rationales behind the implementation efforts. Although this ambition was questioned due to the

amount of resources and demanding actions needed it was still reasoned to be the only option to achieve compliance and desired effects of such. The effects being furthered benefits similar to those that earlier ambitious sustainability reporting had brought. The rationales behind choices in CSRD therefore seems to be deeply connected to the organization itself.

6.2 Future Research

The possibilities for future research within the CSRD area can currently be described as vast. This thesis has investigated a partial phase of the implementation, to therefore study a full-scale implementation period from start to finish is therefore of interest to researchers, either in the form of a case-study or other settings involving multiple corporations. The areas which this thesis has focused on can also be investigated in greater detail as new insights can be drawn in each respective area, such as the development of internal controls related to CSRD within the area of performance measurements. There are also studies which can expand the scope even further and investigate CSRD's more quantitative aspects. For instance, how the market reacts to the initial shift and new disclosures found in upcoming annual reports, the directive's implications for voluntary ESG-ratings, and even stock-price effects related to CSRD disclosure quality. The area of accounting quality can also be of interest to investigate. In short, the possibility for scholars is argued to be vast and interesting, since the legislation is still in its infancy. This means loads of opportunities to study CSRD on several levels and in different forms.

6.3 Ethical Considerations and Limitations

This thesis has not anonymized the studied company, SKF, as they requested the name to be published as the information was not deemed as confidential. This was reasoned by the authors to be fitting as it enables greater transparency of the thesis. The thesis is written independently and has not been influenced nor guided by SKF but has undergone a review by the company to ensure that no confidential information has been disclosed, which is praxis in publicly listed enterprises. All the interviewees participated on voluntary basis and were anonymized to ensure their individual, as well as the thesis's, integrity. Despite the information being stated as non-confidential it has not been released to unauthorized parties and has also been handled in a sensitive manner by the authors.

As mentioned previously the thesis has limitations such as those related to the methodology of a single-firm case study. There is also a further limitation that CSRD is a new regulation and is as of the writing of the thesis being implemented in the EU. There is therefore a risk that regulatory changes on general EU level or member state level could affect the findings, results and discussion drawn in the long run.

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Appendix

Interview Questions

Interview 1

1. What is your role here at SKF? What are you responsible for and how long have you been working here?
2. How long have you been working with CSRD? When did you start the adaptation work? At what stage of the process did you start working on this? Who brought you into the process? How did you get involved?
3. What is the vision and purpose of this project related to CSRD in the Sustainability Reporting Team? How do you go about fulfilling it? What is your position in the organizational structure?
4. When this project started, what roles were involved in the group that initiated the project? What did you start doing?
5. How did you perceive the initial reception of this change that was to be made? How was the relationship with the previous processes and what role did they play in the transition? Was there any resistance?
6. Can you explain how you have worked with this transition based on your organizational structure? What did you do to end up where you are today, as stated in the Final Report?
7. It is evident that "change management" is central to your organization, what do you mean by this? How do you work to fulfil "change management"? Do you measure progress in the project in any way? Do you have any form of progress rate or follow-up?
8. There are different individuals with more specific areas of responsibility in this project. How did you proceed when determining who would be responsible for what? What determined that they got that role?
9. What have been the biggest challenges in structuring the process? How have you dealt with these challenges?
10. Have you experienced similar changes in the organization before? How were they handled?
11. You mentioned earlier that you have been inspired by other companies in this transition, in what way do you mean? Where did this inspiration come from?

Interview 2

1. Can you tell us a bit about yourself? How long have you been working on this? How long have you been working with SKF? What do you help them with?
2. We understand from previous interviews that you are working on designing communication packages and stakeholder analysis. Can you tell us a bit about what those entails?
3. Why are you developing the communication package? What solutions does it provide?
4. When it comes to the communication package and stakeholder analysis, how has the process of developing them unfolded? How have they interacted?
5. Which individuals and groups have you taken into consideration? Which individuals are important to involve? How have you reasoned about this?

6. In your experience, what are the main obstacles when it comes to communicating these types of changes? Where are the major issues?
7. For the development of this, do you have any templates or similar tools that you use for similar projects? Is it necessary to customize it case by case? Do you draw from experience from previous projects, or do you learn from your competitors?
8. On a broader level, what has the design of the communication packages looked like? What has been the thought process? What aspects have you taken into account?
9. Who will use the communication packages? Who will communicate with whom?
10. Have you described how this should be done? In what way should the relevant parties communicate with each other?
11. How often do you communicate information? How is it intended to be followed up? Which communication channels are used?

Interview 3

1. Would you like to start by introducing yourself? What is your position in the firm? For how long have you been working here? How are you connected to the CSRD project?
2. What is your previous experience with sustainability reporting? What have been your responsibilities? What were the mayor issues connected to previous sustainability reporting?
3. Do you know what ESG-ratings are? To what extent has ESG-rating affected your job? How much have you been considering it?
4. Based on CSRD, how much has it affected your work? How has the emphasis regarding sustainability in the organization and performance measures area been affected?
5. What is the extent of change for performance measurements due to CSRD? Do you have any examples of change?
6. We know that you are specialised in ESRS E5, how would you describe the current situation and the preparations? How many others have been/are involved with ESRS E5?
7. How do you get the new data required? How much data is currently available? How much is missing? If something is missing, what are the ways to handle it?
8. When gathering data and measures, do you ever encounter certain degrees of uncertainty? How do you handle those? Do you ever find inspiration from others in the same situation?
9. Regarding your data capacity, would you say that your organization is equipped for the challenge? Why or why not?

Interview 4

1. Can you tell us a bit about yourself and your role? How long have you been working with SKF? What is your role? What does it entail?
2. What does your department do and what are your areas of responsibility?
3. What is your experience regarding sustainability reporting? What did the sustainability reporting process look like before? How did you gather the information?
4. Based on your previous experience, what do you think are areas that have been more or less complicated? Do you have any examples?

5. What is your opinion on sustainability reporting in general? How do you think SKF should approach this?
6. ESG ratings, is that something you're familiar with? If so, in what context has it been used and how has it affected you?
7. What did your role look like before the project with CSRD started? How does the role look now after CSRD was implemented? What lessons do you take from previous experiences?
8. Do you have any reporting or data collection responsibilities?
9. Do you draw inspiration from others in similar positions or processes? How do you handle the changes that CSRD may require?
10. How do you think SKF has handled this project and the CSRD transition? How do you engage with the coordination meetings and communication packages?

Interview 5

1. Can you tell us a bit about yourself and your role? How long have you been working at SKF? What does your role entail?
2. What is your connection to sustainability reporting and the implementation of CSRD?
3. We understand that you have knowledge about internal controls related to sustainability reporting. Could you tell us a bit more about that? How do you work with internal controls? What does it involve for you? Do you have examples of what you use?
4. What has it been like historically? How does it look now, as a result of CSRD?
5. How do internal and external controls differ for you? What is the connection? Does it vary between departments?
6. How do you collect data or information for internal controls related to CSRD? Do you validate the data? If so, how?
7. Why do you use internal controls?
8. Do you take inspiration from other companies or similar entities when setting up internal controls?

Interview 6

1. Can you tell us a bit about yourself and your role? How long have you been working with SKF? What is your role? What does it entail?
2. What is your experience regarding sustainability reporting? What have you contributed? How have you been impacted by it? How central has it been to your work?
3. Based on your previous experience, what do you think are areas that have been more or less complicated? Do you have any examples?
4. What is your opinion on sustainability reporting in general? How do you think X should approach this?
5. ESG ratings, are you familiar with them? If so, in what context have they been used and how have they affected you?
6. What did your role look like before the project with CSRD started? How does it look after CSRD was implemented? What lessons do you take from previous experiences?
7. Do you have any reporting or data collection responsibilities?
8. Do you draw inspiration from others in similar positions or processes? How do you handle the changes that CSRD may require?

9. How do you think SKF has handled this project and the CSRD transition? How do you engage with coordination meetings?

Interview 7

1. Why are you making this transition? What factors are influencing you? Would you say that others in your work are in agreement on why this transition is being made?
2. From our understanding, CSRD seems to involve ESRS, EU taxonomy, and various ESG ratings. Is this correct? How do you set the level of ambition based on all the requirements and resources you have?
3. How did you proceed when conducting the materiality analysis, and why did you consider the four standards you chose to be material?
4. This is a very large project with many parts that need to come together. Do you feel that you have all the knowledge you need within the organization? Do you feel that there is knowledge missing?
5. What do you feel is required of you as the person responsible for the project? What qualities do you feel help you to succeed in completing this project? Have you encountered any new challenges along the way?
6. Do you feel that your previous experiences with financial reporting help you a lot in the work you are doing now, or is there a lot of new things that need to be built from scratch?
7. What is your opinion on your communication in the project? We understood that you had two information days last week. What did you discuss then? Who was present? What is your opinion on those days?
8. How do you feel that your work on CSRD is communicated within the organization, both upwards and downwards? What is the interaction like between you and others in the work?
9. Could you tell us a bit about your governance reporting? Do you see that you have the same problems there as in other areas?

Interview 8

1. Can you tell us a bit about yourself and your role? How long have you been working with X? What is your role? What does it entail?
2. What are your previous experiences with sustainability reporting? How much have you worked on it before? Have you been influenced by ESG ratings?
3. How involved are you in the CSRD project? How does it affect your work?
4. We understand that you are responsible for ESRS S1. What does that entail? Can you use your previous experiences?
5. Is there a lot of data that needs to be collected? Does it differ from before? If so, in what way? What challenges do you see with this?
6. How much narrative is involved in reporting on social issues? What does it entail? Are there any issues with this?
7. Do you seek help or inspiration from external organizations or others in similar positions? If so, how?
8. How do you feel the project has been communicated to you? What do you think has been good about it? Do you think anything could be improved?