CSR
Structure for Responsibility

Master Thesis within Business Administration

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Carina Adestam & Sofia Gunnmo
Abstract

Many organisational flaws are consequences of unsuitable structure arrangements that do not support the organisation in its work towards goal accomplishment. The appropriateness of the structure is determined by how well it allows the organisation to respond to the environment in which it is active. Furthermore, an organisation is divided into parts with their own requirements on the structure. CSR is a concept that enables for a wider perspective of how to conduct business, thereby strengthening the link between the organisation and the external society. It addresses the issues of how a company can create sustainable wealth through behaving in a responsible way where a high responsiveness to the environment is crucial. The purpose of this thesis is therefore to describe and analyse how the organisational social structure of the CSR work can help and enhance such engagement.

An abductive approach have steered the authors when conducting this study. Qualitative data is explicitly used, gathered through interviews with representatives from ABB and Skanska. The data derived from these interviews provides a picture of what, why and how the two companies have chosen to work with CSR issues as well as how they have chosen to structure the work. Using the theoretical frame and the empirical data an analyse of the characteristics and arguments for CSR and the cultural, motivational and structural aspects led to the identification of requirements that this work place on the structure and how ABB and Skanska handle these requirements.

The objective of CSR is to be able to assess the business impact on the society and from that standpoint create a way to handle those impacts. Therefore the work is different from company to company but with common requirements on the structure where some are, local responsiveness, creativity and unified work. To answer to these requirements the structure should preferable have the characteristics of horizontal differentiation and specialisation on group level, an integration based on both human interaction and documents where standardisation should be avoided. This implies that the requirements of CSR are best met when the mechanic and the organic structure meet. An organic organisation needs mechanical traits to allow for the guidelines, directives and responsibilities to be defined in order to reach a unified picture. The mechanical on the other hand needs organic characteristics to support and allow for continuous improvements and work that takes local conditions into account.
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1 Introduction

“A hard beginning makes a good ending”.

- John Heywood

This chapter outlines the relevance and the intentions of the thesis. It presents a background of the topic and provides the reader with a discussion ending with the defined problem to be addressed in the thesis.

This thesis combines the issue of organisational social structure and the concept of Corporate Social Responsibility (CSR) or Sustainable Development. CSR is one of the hottest corporate strategies of today, it is widely discussed in media, academia and by a vast range of institutions and organisations. CSR strengthen the link between the company and the environment in which it is active, where some companies are more successful than others when implementing such work.

Looking at how the successful companies structure and organise the work to respond to the strengthen link thereby makes an interesting and relevant study. The intention is to add to the literature that is to be found on the issue of the responsibility that companies have towards the society. The thesis provides beneficial reading for anyone interested in CSR, with the main focus on students eager to learn how to, in the world of capitalization, balance economic, social and environmental issues.

1.1 Background

Today, 2008, there are companies having a larger financial capacity than many countries, with this financial capacity comes great power and therefore influence over the society. Companies stand for much of what is good in the society e.g. wealth creation. However, there are examples to be found where companies have miss-used the power they possess. Such examples are how Wal-Mart sold Kathie Lee Gifford handbags, which were manufactured under dreadful working conditions in China. The workers in the factory worked 14 hours per day, 30 days a month for a salary of 0.03 US$ an hour. If the workers dared to complain punishment was severe. (Robert & Bernstein, 2000) Further one can turn to how an oil disaster caused by Exxon in 1989 brought great harm to the coast of Alaska and its biodiversity (Bbc.co.uk, 1989). These examples show how companies can inflict great harm on society and the environment. These companies did not break the law, but a spontaneous reaction among the public would most likely be that if not breaking the law the actions are equally bad. The large power possessed by these companies together with irresponsibleness and with the potentially lack of regulations in certain areas sparked a debate on what responsibility companies are to take. Companies have responded differently to this debate and its proposed responsibility, where some have chosen to ignore it, and hope for it to be a passing trend. Others have accepted and willingly taken on the responsibility to conduct business in a way where greater consideration is given to the larger society in which they are active. After the debate started, Wal-Mart decided to enforce an agreement where the Kathie Lee Gifford workers got a decent salary and where independent inspectors were allowed into the factories. There are also companies that voluntary work in a more proactive way. Here one can look at how BP, a key player in the oil industry, has made a both major and controversial rebranding and are now committed
to become a sustainable energy company rather than merely an oil company (Mallenbaker.net, 2007).

The debate that makes companies take these reactive and proactive actions is more commonly known as the debate regarding the companies’ social responsibility. To be responsible have become one of the hot corporate strategies of today. Some companies refer to this as Sustainable Development, which by the UN Department of Economic and Social Affairs is defined as:

“…a development that meets the needs of the present without compromising the ability of future generations to meet their own need.”
- UN Department of Economic and Social Affairs

While others choose to refer to the practice as CSR, where the European Commission gives a well-established definition of CSR as:

“…a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”
- European Commission

The definition implies that law does not mandate CSR activities and it is up to the individual company to, on a voluntary basis chose and implement these practices. Companies engage in CSR through their products, employees, the natural environment affected by their actions and the communities in which they are active and located (Werther & Chandler, 2006). CSR is by most perceived as a complex concept under constant development with new opportunities to be found, threats to be addressed and trade-offs to be considered. There are many requirements on companies pursuing an active and genuine CSR work, and the success is likely to be related to the way that the work is structured within the organisation.

1.2 Problem discussion and Research questions

Many organisational flaws can be related to an inappropriate structure chosen in order to reach a desired goal. An appropriate structure is contingent upon both the type of work to be performed as well as the environment in which the organization conducts business (Bolman & Deal, 1997). Different structures provide different strengths and weaknesses to the work and it is therefore important to find a structure suitable for the desired outcome. If the work to be performed to fulfil the goals of the organization is to be done in an environment characterised by change and uncertainty a structure that allows for adaptability and flexibility is desired. On the other hand, if the work to be performed requires the organization to be effective in a more stable environment a structure that focuses more on stability and predictability is more suitable (Mintzberg, 1983).

A company reaching a certain size is most likely to be divided into different departments and functions, where each is responsible for different parts of the business. These different departments and functions are then exposed to different parts of the environment and consequently have to respond to changes in the environment, creating different requirements on the structure of the individual function (Lawrence & Lorsch, 1999). It is therefore important to first look at the requirements of CSR, second, assess the environmental requirements and last to structure the work to meet those requirements.
When looking at how to structure the work one can turn to organisational structure theories and the issues brought up by these theories. Some of these issues are the decision-making process, where authority can be found, and the formality used in the organisation. Looking at the decision-making process, decisions can be taken on a central level and when considering the complexity of CSR this can be seen as beneficial as it allows for a better overview. However, many CSR aspects need a local tie proposing for a more localised decision-making process. CSR requires an extensive knowledge and experience to be able to make correct decisions, it leads to the issue of whether competence or position should be the source of authority. Further, to lead employees in the right direction in the CSR work; instructions, guidelines and other written documents are bound to be of major importance. Detailed documents leave no room for hesitation of what is required and expected, thereby safeguard a certain level of actions. But as CSR is an area where new opportunities and threats continuously need to be addressed, flexibility in the use of these documents could be seen as beneficial.

Mintzberg (1983) discusses the important effect that the organizational structure has on the employees’ work. To structure the work in a way that creates motivated and encouraged employees that work towards the stated goal is a necessity. It is said that the most motivated employees are to be found in a company with a large extent of employee participation and with less formal rules and regulations (Lund, 2003). However, with a lack of such formal regulations one could potentially see a trade-off for the employees in regards to know what direction to take, causing a decrease in the unity of the company. Further, with a high degree of employee participation a likely consequence is a slower process, with the outcome of a time-consuming response towards changes in the environment. These are just to mention a few examples of how the structure can influence the work in different ways.

The influencing power that the organizational social structure has on the employees and the work to be performed leaves the authors asking what, in terms of structure, a successful CSR engagement is fostered by. Therefore, to understand what structural requirements that underpins the CSR work, the authors has asked the following questions:

• What are the objectives behind a CSR engagement?
• What different requirements do CSR place on the structural arrangement?
• How can the structural arrangement be made to meet these requirements?

### 1.3 Purpose

The purpose is to describe and analyse how the organizational structure of the CSR work can help and enhance such engagement.
1.4 Delimitation

The thesis is concerned with CSR practices in large multinational companies, where a large company is defined as a company with an annual turnover exceeding 468 MSEK and employs more than 250 employees.¹

It is the authors’ belief, that when discussing the concept of CSR the social structure constitutes a more interesting and relevant area of organizational structure, therefore physical structure has been excluded as a form of organizational structure.

1.5 Thesis Disposition

Chapter 2 describes how the study was conducted and are presented. Additionally it explains how the authors have dealt with issues related to the quality of the study.

Chapter 3 provides the reader with a theoretical frame discussing CSR and the organisation including structure, motivation and culture. The chapter ends with a proposition by the authors regarding the structural arrangements of the CSR work.

Chapter 4 describes the Sustainability work at ABB and Skanska. Information concerning what they do and how they structure what they do are brought up in addition to general information concerning the two companies.

Chapter 5 includes an analysis where data from both companies has been combined with theory and analysed.

Chapter 6 is where the authors conclude the study by considering the analysis, their research questions and their own proposition. In this chapter suggestions for further readings and studies are given.

¹ Definition is given by the European Commission, where the turnover was stated in Euros and converted to SEK with the rate of 9.36 Sek/Euro, given by www.valuta.se at 2008-05-04.
2 Research Design and Method

“All time management begins with planning”.
- Tom Greening

In this section the scientific and research approach planned to be follow is presented. The abductive approach chosen will be argued for as well as the data gathering process. Soundness of the study is further discussed to point at some critical aspects influencing the quality of the study.

2.1 Methodology

Methodology is concerned with the underlying approach to the whole study, where method, discussed later, is related to the data used to carry out the study. In the methodology, the first issue to take into consideration is what paradigm that in general terms will guide the work. A paradigm refers to “the progress of scientific practice based on people’s philosophies and assumptions about the world and the nature of knowledge” (Collins & Hussey, 2003, p.46) The chosen paradigm guides the work in the way that it influences the outcome of the produced data and also what type of knowledge that can be extracted from the data and the research as a whole (Blaxter, Huges & Tight, 2001). According to Collins & Hussey (2003) there are two main paradigms, sometimes also known as philosophies, positivism and phenomenological. The positivistic paradigm is also commonly known as quantitative paradigm and the phenomenological paradigm as the qualitative paradigm. To be able to describe and analyse how the structure of CSR work can help and enhance such work the authors have chosen to follow the phenomenological paradigm. This choice was based on the fact that the authors intend to not only describe the structure but also to explain why a certain structure can help and enhance the CSR work, which the characteristics of the phenomenological paradigm allow for. The positivism paradigm is objective, outcome-oriented, the researcher takes an outsider perspective and the data is hard and replicable which the authors see as unsuitable for this study. The phenomenological paradigm on the other hand, is characterised by being subjective, process oriented and the researcher can interact with the subject being researched. This allows the authors to gain a deeper and more thorough understanding of the structure’s influence on the CSR work. The phenomenological paradigm also discovery-oriented, exploratory, descriptive and inductive where small samples are used providing data that is real, rich and deep. For the authors to gain the desired understanding the data needs to be rich and comprehensive. To keep the sample number small enables for a more focused study, where the authors can provide a better analysis of the subjects studied (Baxter et al., 2001; Collins & Hussey, 2003). These advantages can also be found in what Silverman (2000) argues to be the characteristics of a qualitative study. Silverman (2000) states how the qualitative study is flexible and subjective, it therefore allows the authors to, not just state a certain structural characteristics but also the requirements calling for those structural characteristics. Furthermore a qualitative study is speculative and grounded, and this is shown in the authors wish to have a logical reasoning around organisational structure and CSR.
2.2 Research approach

The aim for a researcher is to give an as correct picture of reality as possible by combining and analyse empirical data in relation to theory. Different approaches exist and the approach most suitable for the research depends on the desired starting point of the researcher in relation to present theories. The chosen paradigm can influence what research approach that is most suitable, an inductive approach is normally associated with the phenomenological paradigm and a deductive approach with the positivist paradigm (Saunders, Lewis & Thornhill, 2003). When following an inductive approach the empirical data is first gathered and analysed whereby a theory is developed. The inductive approach is said to be moving from the specific to the general as it is based on individual observations that the researcher then states as a general model (Collins & Hussey, 2003). The inductive approach was not seen as suitable by the authors as the proposal they wished to test is based on already existing theories. However according to Saunders et al. (2003) one of the benefits of the inductive approach is that it allows for the acquirement of a deeper understanding of the topic, which is what the authors wished to accomplish. On the other hand, when following a deductive approach the first thing that is done is that a theoretical structure and hypotheses are developed and then these are tested by empirical observations with the aim to draw conclusions about a certain occurrence. The deductive approach is therefore seen as be moving from the general to the specific (Collins & Hussey, 2003). The authors see the deductive approach as unsuitable as their proposition is not as clear as hypothesis should be. Further, the data gathered in the deductive approach are commonly quantitative, and the authors do not believe that such data provide them a deep enough understanding of either organisational or CSR.

Instead the authors have chosen to follow the abductive approach that Patel & Davidson (2003) and Alvesson & Sköldberg (1994) describes as an approach with its own characteristics while at the same time resemble a combination of the inductive and deductive approach. The benefit from an abductive approach in contrast to a strict inductive or deductive approach is that it offers the researcher greater freedom in how they carry out their work. When conducting an abductive research the aim for the researcher is to try to explain an occurrence with theories, which then is proved through additional observations (Alvesson & Sköldberg, 1994). The authors observed that the increasing interest for CSR and the flexible and constantly evolving nature of the concept place high demands on the structuring of the CSR work and the company itself. Furthermore some companies handle these demands better than others. The authors formed a proposal from existing theories on how to structure the work so to help and enhance the work. This proposal was then tested by empirical data.

2.3 Research strategy

There are different kinds of research strategies that, dependent on the purpose of the research, are more or less appropriate. Some of the more common ones are; surveys, experiments, case studies, and action research (Blaxter et al., 2001). As the authors wished to acquire a deeper understanding of how the structure of the CSR work affects the work, case studies were seen as the most appropriate approach. According to Blaxter et al. (2001) case studies are beneficial when the topic to be studied is hard to distinguish from its content, which holds true for this study; the structure and the CSR work cannot be distinguished from the company in question. Another aspect of case studies that applies is that the authors do not only wish to explore the issue but also understand it within its
context, meaning the environment in which the companies are active (Yin, 1994, in Collins & Hussey, 2003). There are different types of case studies and the one the authors have chosen is the explanatory case study, characterised by the use of existing theories to explain and understand what is taking place. When conducting an explanatory case study the aim is to build an explanation through the collecting and analyse of data, where the explanation building is achieved through testing a theoretical proposition (Yin, 1994, in Saunders et al., 2003). Which is what the authors aim to do in this thesis.

2.4 Literature review

The initial step was to gain an overview of what literature and articles that could be found covering the aspects of CSR, Sustainability and structure. The authors found few sources combining CSR/Sustainability and structure therefore the authors chose to focus on them as separate topics in the literature aspect. In the gathering of theoretical knowledge, there has been an even balance from books and articles from academic journals where most have been written in English. The different articles and the books have either been found through the different databases that can be accessed via the homepage of the library at Jönköping University or in hardcopy at the library.

In order to find relevant articles, the authors have used what is known as a snowballing technique where once a relevant article is found, other relevant articles can be found through the use of the references in the initial article. Key authors providing literature concerned with organisational theories could be found due to reappearance, leading to an assurance that the theories found were sound and well respected by other scholars. The snowballing effect was not used to the same extent when it comes to CSR and Sustainability. Instead the authors read through a vast range of literature to be able to included only the sources that were considered to provide a clear and easily understood description of the complex concepts.

With the theoretical information gained through books the authors are well aware of the time aspect that influences the accuracy of the information. The books that have been used to build the CSR and Sustainability section are published recently and therefore not too old to provide an accurate and up to date picture. However, to build the organisational structure sectioned older books have been used. But as theories concerning organisational structure have been given the attention of researchers since decades and some of the most influential researchers had their work published years ago. The authors saw therefore no accuracy problem in relying on these sources, and judged them as credible and still relevant. Some of the references in the theoretical framework over the structure the authors have not seen reappearing, however the work that these scholars have produced fits very well into the overall framework and provided a very clear reading and are therefore included.
2.5 Method

Type of data and how to acquire it

When collecting data in a case study the data can be both quantitative and qualitative (Collis & Hussey, 2003). These data categories provide the researcher with different types of data and the choice of type is of importance to enable a good quality research. The characteristics for quantitative data are that it is derived from numbers where the collection produces numerical and standardised data and is analysed through statistics and diagram. The qualitative data on the other hand is characterised by being based on words and allows for a deeper understanding to be gained (Silverman 2006; Saunders et al., 2003). To be able to best analyse the affect that structural issues has on the CSR the authors found it most useful to make the study based on exclusively qualitative data. The authors wished to see the underlying reasons for a particular practice and why that practice was done in that particular way. First of all, to conduct a quantitative study stating what structural arrangements best suited, is by the authors viewed as very difficult as there are so many underlying factors that need to be taken into account. Instead there is a need of making a study that answers to how and why. That is according to Collis, & Hussey (2003) feasible with qualitative data as such data allows for the richness of the data i.e. the detail of the issue studied, to be derived.

The qualitative data can be found in two different forms, primary and secondary. Primary data is data collected and used for the first time and secondary data is data originally collected for another purpose and then re-used (Saunders et al, 2003). This thesis will make use of both, though the greater part is of the primary sort. Secondary data is retrieved from the companies’ homepages and Sustainability reports and are merely to be seen as a complement to the primary data. A reason to include this data is that secondary data is generally available to the public, which gives it a kind of verification, as it is available for public scrutiny. To collect the primary data the authors argue that in-depth interviews would yield the data most suitable for the thesis, where other methods, such as questionnaires and observations are judged as insufficient by the authors. To be able to describe and analyse the decision-making process and other organisational issues the data needed could not be collected through a survey. Interviews are useful in order to quickly collect a large amount of information, it further allows for clarifications to be made, something the authors believed to be very important as CSR and organisational structure are two complex issues. When using interviews the need for cooperation and the potential unwillingness by the interviewees to answer certain questions needs to be considered. This was addressed by assuring that any information acquired from the interview that were to be used in the thesis, were to be confirmed by the interviewee before being published.

Four of the interviews were made face-to-face, the other two were conducted over telephone. Due to the complexity of the issues and the desired in-depth information, to have face-to-face interviews was a requirement, at least for the initial interviews. Telephone interviews can have a negative influence on the quality of the study, as they do not give the same closeness and possibility for interactions as face-to-face interviews do. The reason to why the authors viewed telephone interviews as sufficient for the last two interviews was that they during the first interviews had been provided with a vast amount of information allowing the authors to gain an understanding of then subject being studied. The inputs from these last interviews were therefore just as valuable but not as complex for the authors to understand as with the initial interviews.
Selection

In order to acquire high quality data, a carefully thought through selection of cases as well as the decision of the number of cases to use has to be made. The authors judged theoretical sampling to be the method best suited to select appropriate cases, this as it means selecting cases on the basis of their relevance to study.

In a qualitative research the cases that are relevant to include are often clearly defined. If the case to be study is easy to define it is also easy to select an appropriate case (Silverman, 2000). Like in this case, the authors foremost wished to base their selection of case on how acknowledged the case were in terms of their CSR work. Other, more quantitative sampling methods are often based on attributes such as number of employees and annual turnover that do not define the case as clearly. Such sampling could give the authors sets of cases where the CSR work was not prioritised and where a structure of such work would be hard to find. Such set of cases is unlikely to provide the authors with the information needed to answer to their purpose.

The authors wished to include companies that were multinational but also large players on the Swedish market. The multinational criterion was stated due to that the complexity of CSR increases with the number of countries that constitute a company’s geographical market. Most companies today are globally active so to include a company without a global presence would not provide quality findings. The criterion that the company is a large player on the Swedish market was there to increase the likelihood for the authors to be able to conduct face-to-face interviews. The companies were to be acknowledged for their CSR work, and been given a variety of nominations and awards indicating on this successful implementation. Their work should also easily be found on their homepage and they should have a Sustainability report and a Code of Conduct. Further the companies had to have people holding positions where Sustainability constitutes 100% of the work tasks.

ABB and Skanska were chosen as both companies fulfil the criteria mentioned above. Suitable persons where first contacted via e-mail with an introduction of the study and a date when the authors where to contact them via telephone. This enabled the authors a possibility to give a proper introduction to the coverage of the thesis after which the chosen persons could decide whether to participate or not. The people initially contacted for the first interview were people holding one of the highest positions when it comes to Sustainability issues. This resulted in an interview with the Senior Vice President Sustainability at Skanska and a Group Advisor at Sustainability Affairs at ABB. The second selection of interviewees followed a so-called snowball effect, similar to the one used to find relevant theories. Here, snowball effect is a sampling method that can be used when the authors have difficulties in identifying the most suitable persons. The persons already interviewed were asked to recommend someone else, who was then contacted. These recommended persons were contacted in the same way as the initial interviewees but with the exception of mentioning that they had been recommended and by whom. The later aspect had a probable effect of increasing the likelihood of an interview with the desired person. This resulted in an interview with an Environmental Manager at Skanska and a Country Sustainability Controller at ABB.

When conducting the interviews the initial the authors were still unsure of how many interviews to conduct at each company, as well as how many companies to include in the study. The initial thought was to start with two companies and two interviews at each. After these interviews had been conducted and with facts at hand, the authors were to decide what would be most beneficial with the thesis’s purpose in mind. The options were
to either include another company or to conduct one more interview at each of the already interviewed companies. The authors choose the latter option, as this option was by the authors believed to the most valuable and interesting input in terms of the reliability and trustworthiness of the thesis. To reach the best suitable persons for these interviews the authors again made use of snowball sampling, resulting in interviews with a Local Sustainability Officer at ABB and a district manager at Skanska.

**Interview**

After dates for the interviews had been set, the interviewees were sent an outline of the main issues that were to be addressed. The authors are aware of the increased difficulty in acquiring high quality data through telephone interviews, therefore before these interviews more detailed questions were sent out. The outline with corresponding questions for the first four interviews as well as the questions for the later two can be found in appendix A, B and C respectively.

When preparing for the interviews and designing questions the authors chose between three different types of interviews, semi-structured, in-depth or non-standardized interviews. As the purpose of this thesis is to analyse and describe the structure of the sustainability work in these companies, the authors found it important to be able to use both prepared questions and follow-up questions. Some of the questions were created to guide the interview in a particular direction and then allow for the interviewee to design and formulate responses more freely. Others were more detailed after which follow-up questions could be designed to follow that particular answer. The interview type that best allows for this is the semi-structure interview type. Such interviews are conducted by the interviewers having a list of questions and themes that are to be covered, where the follow-up questions varies depending on the respondent’s answers (Saunders et al. 2003).

The face-to-face interviews were carried out in Stockholm and Västerås, and had the duration of one to two hours. The telephone interviews lasted between 30-60 minutes. The orders of the interviews were so that the persons holding at the highest positions were interviewed first to acquire the overall picture as a starting point. Before the interview started the authors asked for and received permission to tape-record all interviews, both telephone and face-to-face. As the interview was carried out no notes were taken and full attention was therefore given to the responses provided by the interviewee, which allowed for appropriate follow-up questions from the authors. The questions used in the interviews were divided in a special order where the first questions were concerned with the sustainability aspect in general and after these questions the authors introduced questions regarding organisational structure and the structure of the Sustainability work. The questions for the last two interviews were slightly different, more structured and steered interviews were to be performed. However, when actually conducting these interviews, the more structured questions were asked but freer responses than was initially planned for was allowed. This as the authors found that they acquired more relevant and in-depth information that way.

All, but one of the interviews were conducted in Swedish as all, but one respondent, are Swedish natives. After the interviews each interview were written down word-by-word and saved. The interview in full can be acquired by contacting the authors. ² When conducting

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² The authors can be reached on adestam.gunnmo@gmail.com
the interviews in Swedish and then translating them into English there is a possible
translation problem that the authors are aware of. This was addressed by sending the text
to be confirmed by the interviewees once it was translated, any points made by the
interviewees that were lost in translation were then to be corrected for.

**Data presentation and analysis**

The information gathered from the interviews was evaluated after its relevance towards the
purpose of the thesis, where the information found needed and beneficial was included in
the empirical finding chapter. This combined and sorted data were sent via email to the
interviewees in order to get the text confirmed, allowing for the interviewees to give
feedback in case of miss-interpretation. After being cleared from miss-interpretations from
the authors’ perspective, the data were inserted into the thesis. The data is presented
company by company, to present the data otherwise would give the reader a scattered and
confusing reading. The interviews conducted at the same company with the two persons
holding a management position within Sustainability is combined, while the last interview
was kept separate. The choice of combining the two first interviews was due to that when
combining the interviews the reader are more likely to stay focused as the information is
non-repetitive. This is however a trade-off against the fact that some of the reasoning by
one person might be taken away when similar has been said by the other, therefore a slight
chance that information has been missed is present. The authors have however several
times carefully gone over the material in order to prevent this from happening. It is the
authors believe that the reader if skimming through sections due to information repeating
itself would have missed more information than the potentially missed information by the
authors. The authors also had to consider the possibility for the interviewees to verify each
other when keeping the interviews separate, however the contribution of such verification
to the quality of the thesis was by authors viewed as smaller than the contribution of
providing a more interesting reading. The logic behind separating the last interview was
that the interview was not as extensive and the aim was more to acquire the interviewees
feeling of for example support, directives and appreciation. Rather than to acquire an
understanding of how the work was structured. By that the authors mean that they were
interested in the structure’s “consequences” on the employees. To give the same picture to
the reader as the authors themselves acquired a separate presentation is needed.

The analysis following the empirical chapter is where the authors have used the theories
presented in the theoretical frame as a tool for the author to, with the use of the empirical
data, reflect over the guidance regarding to structure and Sustainability aspects. The analysis
is divided in three parts, where the extent of the combined analysis of the two companies
goes from high to non-existing in the third and last part. The first part of the analysis is
where the authors by the use of the theoretical frame and the empirical data discuss what
CSR requires from the structural arrangement. In this part the empirical data gathered from
both ABB and Skanska are analysed together. When moving over to how the two
companies have chosen to meet these requirements the empirical data have in most parts
been analysed separately. The authors have chosen to separate the companies, as they fear
that the reader would otherwise find it difficult to follow. In the third and last part of the
analysis the two companies are even given their own heading, and that is where the final
overall structure of the two companies sustainability work is described.
2.6 Quality of the study

All researchers must respond to how their study measures in terms of quality. There are always some trade-offs that have been made where some might have a negative impact on the quality of the study. All issues that have an impact on the overall credibility and trustworthiness of the study needs to be evaluated and pointed out to the reader (Marshall & Rossman, 1999). The authors aim to do this through directing a few aspects to the reader that should be kept in mind when reading the thesis.

Many researchers discuss around the aspect of external and internal validity, reliability and objectivity. Lincoln & Guba (in Marchall & Rossman, 1999) argues that these needs to be reworked in order to construct criteria that are more relevant to address when conducting a qualitative study. These are credibility, transferability, dependability and confirmability, and are the ones that the authors have chosen to use when evaluation the soundness of their study. The more commonly used issues are to a large extent embedded in these aspects, and will be described by the authors when each individual issue is brought up.

Credibility

This can be compared to the issue of internal validity often seen in a quantitative study, which are to the extent that the findings in a research are what they claim to be (Saunders et al., 2003). To show on credibility the authors need to demonstrate that the study was conducted in a way ensuring that the subject studied was accurately identified and described. A way to do this is to clearly describe the complexity of the processes and interactions needed to gather the data (Marshall & Rossman, 1999). To answer to this the exact procedure used when collecting the data can be found in the method part of this thesis. To conduct face-to-face interviews are by the authors a way to increase the credibility of the study as it provides the authors with the possibility to interact with the interviewees in a way not possible with other types of interviews. Furthermore, the questions used by the authors during the interviews can be found in the appendix B and C. The reader can thereby gain an understanding of the issues that were brought up and discussed during the interview. This combined with the description of the interview procedure found in the method increases the credibility of the study. The practice of giving the interviewees the opportunity to correct any miss interpretations further adds to the credibility of the study.

Another issue that needs to be addressed is the fact that a vast range of the academic literature discusses the concept under the name CSR while organisations and companies mostly refer to it as Sustainability and Sustainable development. To avoid any misunderstanding the interviewees were told that the authors are familiar with the concept both as “CSR” and “Sustainability” and that the two concepts are used interchangeably in the theoretical frame. The interviewees have also been asked to explain their view of the two concepts and any differences that may exists between them. This has been inserted into the thesis as an initial part of the empirical data covering the Sustainability work.

Transferability

The authors should here argue that the findings could be useful for others in similar settings. This is related to the term of generalizability, which is a way to judge the external
validity. External validity is concerned with how the findings can be generalized to the whole population (Marshall & Rossman, 1999; Saunders et al. 2003). A qualitative study’s transferability to other settings is often seen as problematic and a weakness of the qualitative approach. The authors have no intentions of generalise the findings, rather the aim is to provide a discussion of how a structure can be created to enhance CSR work. Though the authors still feel the need of describing how such attempt could have been feasible with their study. A qualitative research can according to Silverman (2000) be transferred, as the possibility of the practices can be considered generalizable even if the practices are not commonly experienced and seen. By this it is meant that findings can be generalizable, not in terms of what others actually do, but with regards to what others can do given the same setting as the ones in the study.

To answer to the issues of transferability the authors can according to Marshall & Rossman (1999) refer to the theoretical frame to show how concepts and models have guided data collection and analysis. Through organisational theory and the issues and tools of CSR and Sustainability combined with the data gathered from ABB and Skanska the authors can show what is doable.

**Dependability**

Dependability means that the authors should try to account for changing conditions in the topic chosen for the study. This concept is related to reliability, which measure the extent to which the method chosen will yield consisting findings if carried out by other researchers (Marshall & Rossman, 1999; Saunders et al., 2003). However, the assumptions are different between the two. The assumptions that shape reliability assume an unchanging social world, in direct contrast to the qualitative interpretative assumption that the social world is always being constructed (Marshall & Rossman, 1999). The topic chosen for the study, the structure of the CSR work is most likely to change if the business of the company changes. In an attempt to make this apparent for the reader a company presentation is given to show why a certain overall organisational structure is chosen. This further helps if another researcher wishes to apply the findings on a company in another business.

**Confirmability**

Confirmability captures the concept of objectivity, which is the avoidance of different types of bias (Saunders et al. 2003; Marshall & Rossman, 1999). The additional aspect of conformability compared to objectivity is the need to ask whether the empirical findings of the study could be confirmed by another study (Lincoln & Guba in Marshall & Rossman, 1999). By doing so emphasis is also put on the evaluation in terms of the risk for bias on the data itself. Thus the qualitative criterion is, do the data help confirm the general findings, which according to Marshall & Rossman (1999) is an appropriate qualitative criterion. This has to a certain extent been addressed through conducting several interviews at the same company, allowing for a verification of the data. If different opinions were given these have been presented in the thesis. Another way of reducing the risk for non-conformity is how the interview outline was sent out. This enabled the interviewee to prepare and to think through his/her standpoint. Choosing snowball sampling for the interviews may result in a bias result, as the person being interviewed first is allowed to choose a person likely to confirm his/her saying. If this would happen the data that the
authors would end up with would not be of highest quality and contain bias. The authors however consider this risk as low as there is no answer that would be favourable by the interviewees. Additionally the interviews are also made in-depth to allow the authors to build their picture on a vast amount of data derived from each person interviewed. For the findings to be able to be confirmed by another study non-biases from the authors are also necessary. This has again been addressed by the confirmation given by the interviewees when sending out the written interview via email.
3 Theoretical Frame

“Nothing is as practical as good theory”.

- Kurt Lewin

The theoretical frame carries out the discussion around the concept of creating a sustainable business through taking social, environmental and economic responsibilities. This discussion is followed by organisational theories concerning structure, culture and motivation. The design of the theoretical frame enables the authors to, based on theory, make propositions of how the CSR work should be structured to help and enhance the work.

The concept of creating a sustainable business through taking social, environmental and economic responsibilities are by different authors, scholars and practitioners given different names. The most common ones are CSR and Sustainable Development, where their exchangeability initiates the CSR section. Through the remaining sections the most appropriate term, dependent on the source referenced to, will be used. To be able to see how CSR work can be structured to help and enhance it the concept of CSR first needs to be explored. Furthermore, it is beneficial to look at some of the tools available for the structuring and implementation of CSR. The thorough attention given to the concept of CSR is done in order to be able to identify the aspects that can have an impact on the structure. Without a clear understanding the structural discussion would fall short. In the light of the acquired understanding regarding the CSR work the organisational social theories will be provided. These theories can beneficially be used as they bringing forth the issues to be considered as well as the pros and cons associated to different ways of structuring. Though, social organisational structure should not be viewed without taking the organisational culture into account, as it would not provide the whole picture. In its essence a company is formed by its employees, the social structure can be used as a mean for motivation. Cultural and motivational theories are not given a high degree of focus they should rather be seen as a compliment in an attempt to create a more all-embracing picture.

3.1 Sustainable Development or CSR

The underlying idea behind CSR is that a company should create sustainable wealth through behaving in a responsible, ethical and sustainable way (Ness in Brown, 2005; Baker, in Werther & Chandler, 2006). Porritt (in Brown, 2005) like Ness sees the connection between CSR and Sustainable Development and Porritt states that the difference between CSR and Sustainable Development is the dialect you speak. This view is shared by others acknowledging that Sustainable Development and CSR can be used interchangeably to describe the same practice (Bondy, Matten & Moon, 2004; Crane, Matten & Spence, 2008; Cox in Brown, 2005).

3.1.1 What are Sustainable Development and CSR?

There is a widely accepted definition of Sustainable Development, established already in 1987 by the Brundtland Commission (Carlsson, 2006) where;
“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” (UN Department of Economic and Social Affairs)

In comparison to the, by most agreed upon, definition of Sustainable Development the definition of CSR varies more and some definitions of CSR that can be found are:

The organisation Business for Social Responsibility defines CSR as “operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business” (Kotler & Lee, 2005, p.3)

EU defines CSR as “A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.” (European Commission - Enterprise and Industry)

The Chinese Ministry of Commerce define CSR as “a concrete action taken by Chinese companies to implement the political aspiration of the new Communist Party collective leadership – putting people first to create a harmonious society” (Crane et al., 2008, p.6)

Some scholars use the concepts of both CSR and Sustainable Development (Sustainability) interchangeably while others have chosen to stick to one. It is common to find companies using the concept of Sustainability to describe their work of balancing the environmental, social and economical aspects. Sustainability is a concept that originates from forestry and environmental management and it takes up the issue of how an organisation can successfully survive without compromising the future in terms of ecological, sociological and economical survival. Many companies had their initial contact with CSR through ecological issues, hence talk about their work as Sustainability (Crane et al. 2008). Another explanation on why companies tend to favour Sustainability over CSR can be found in the criticism towards CSR and then especially the social part of the CSR definition. This is where the role of the government and the role of the companies clash. Issues of the social sort concerns among other things labour standards and education and are issues that many argues are the responsibilities of governments rather than companies. The companies are not created to address such issues neither do they sit on the proper expertise and authority to change them. It is argued that managers do not hold the right to pursue these social goals, as they are rather self-selected than democratically voted for. But as government wish to attract companies they may be reluctant to regulate as such regulation may make it difficult for companies to enter the market, and so the question is back to considering what the responsibilities of the companies are (Crane et al. 2008).

The journey of responsibility

The underlying ideas of social responsibility among businesses are all but a new concept. Going back in time, already in the ancient Chinese, Egyptian and Sumerian writings one can find rules for how trade was to be carried out to ensure that appropriate consideration was given to the wider public’s interest (Werther & Chandler, 2006). In the 1950s and 1960s attention was given to, what was called, social responsibility and focused on the behaviour of businessmen rather than on the company. This can be explained by the fact that large companies were not at all as influential back then as today, but the businessmen were. One at the time widely accepted definition was put forward by Davis, a very influential researchers, who defined social responsibility as “businessmen’s decision and actions taken for reasons at least partly beyond the firm’s direct economic or technical
interest” (Davis, 1960 p.70 in Carroll, 1999 p.271). During the 1970s a shift of focus occurred from the individual businessman’s responsibility towards the responsibility of the company as a whole. It was also during this period that the true purpose of a company became widely discussed. Critics stated that the only responsibility that companies have are economical while others claimed companies to have a wider stretching responsibility for the society in which it is present. The discussion still exists, but since the 1990s there has been a larger interest in finding a link of responsibility to other aspects such as profitability and reputation (Carroll, 1999).

The characteristics of responsible behaviour

Many of the definitions of CSR implies that CSR is something *Voluntary*, i.e. it is activities that goes beyond what is prescribed by law. This is one of the features of CSR that critics address, they argue that instead of this behaviour being voluntary focus should be on regulations so that all organisations have to comply with good practices. But as yet this is not the case. Moreover CSR is said to be about *Managing Externalities*. Externalities are the side effects of a business that burdens others but are not included in the market price or in the decision-making process (Crane et al., 2008). Pollution is a typical externality where regulations could be made so that companies are obliged to internalize these costs. CSR represents a more voluntary approach to managing externalities influencing the way the companies’ products or services are delivered to the markets (Werther & Chandler, 2006). This voluntary approach would then be about investing in clean technologies in order to prevent pollution in the first place. CSR involves *Multiple Stakeholder Orientation*, where it considers a range of stakeholders rather than just the shareholder (Crane et al., 2008). CSR helps bringing stakeholder concerns to the forefront through creating legitimacy of the companies’ actions in society (Werther & Chandler, 2006). The argument that the companies have responsibility towards its shareholders is not challenged, but the point that the company are dependent on and answers to a wider set of stakeholders is stressed. Where stakeholders are all individuals that in one way or another are affected by the actions taken by the company (Crane et al., 2008). As CSR covers a blend of issues where the importance of them rises and falls and differs dependent on company and time, the need and wants of all stakeholders should be taken into consideration even though they might not all be met at the same time (Werther & Chandler, 2006). The balancing of different stakeholders leads to the next core characteristic, which is how CSR creates *Alignment of Social and Economic Responsibilities*. This characteristic brings forth the issue that even if CSR is going beyond the focus of profitability and shareholders, it should not conflict with these. CSR should rather be seen as a mean for the company to create profitability and satisfy the requirement of wealth creation for shareholders. CSR is about a set of business *Practise* and strategies that deals with social, environmental and economical issues. CSR needs to be mainstreamed into the normal business. It is about the entire operations of the company impact on society, i.e. core functions such as finance, logistics and procurement. One needs to consider how CSR can be built in to the core business and not bolted on. CSR is also a philosophy and a set of *Values* that underpins these practices. It is not only about a strategy that needs to be implemented but also about values that need to be incorporated to make an important part of the company culture (Crane et al., 2008).

With other words, responsible behaviour is about a company’s voluntary balancing of *economic, environmental and social* issues. The economic aspect concerns issues related to the impacts that the organisation has on the economic conditions of its stakeholders and on
economic systems at global, national and local levels. This refers to among other things, profit to the shareholders and wages for the employees. The environmental aspect concerns issues related to the organisations impact on living and non-living natural systems such as ecosystems, water, land and air. A practice could here be to change business processes to be less energy consuming. The social aspect concerns issues related to the organisations impact on the social system in which it operates such as human rights and diversity in the work force. A social practice could be an attempt to create a safer work environment for the employees through mandatory use of safety equipment. These three issues needs to be balanced, it is about finding and focusing on the aspects where the company’s actions would make a difference (Piper, Carty & Enell, 2005).

3.1.2 Why do companies engage in CSR Today?

The drives of CSR

There are both external and internal factors; increasing affluence, changing social expectations, globalisation and free flow of information, ecological sustainability and employee perspective that drive the need for making CSR a vital part of the strategic thinking. The factors’ combined effect is that they are changing the business environment by strengthening the position of stakeholders (Werther & Chandler, 2006).

*Increasing Affluence* helps to increase customer’s awareness as well as willingness to pay a premium for a product associated to a responsible company (Werther & Chandler, 2006). This results in that companies can sell products and services that even if being more expensive would increase their market share if being an environmentally better option. This especially due to that the increased affluence allows customers to have a more long-term thinking, and buy products that saves money in the long run (Reinhardt in Harvard Business review, 2007). Today this awareness, and possibility to act upon it, is greater in developed economies. However, the affluence will increase with globalization and reach poorer countries, hence increasing the pay-off of being perceived as a good company. Another aspect is that nowadays companies are globally held accountable for what they are doing in developing countries. This leads to the consequence that it is both morally and economically important for companies to consider CSR, independent of location (Werther & Chandler, 2006).

*Changing Social Expectations* have led to that consumers today demand more than simply the product. The increased competition has put pressure on companies to create other values than just quality and price worthiness of the product or service it offers (Werther & Chandler, 2006). Customers wish to buy from companies expressing values that go in line with the customer’s own, which is increasingly aligned with the values proposed by CSR (Löhman & Steinholz, 2003). The change of social expectations make companies place a higher value on intangible assets such as goodwill and brand name, as there is an increased need to be perceived as a responsible company (Jackson in Brown, 2005).

With the rise of the globalisation there is a decreased feeling of an immediate community and the personal relations between individuals is declining. This can lead to a lack of incentives to foster local ties by the company. However, the same *Globalisation and free flow of information* make news and information travel fast (Werther & Chandler, 2006). There has been a breakthrough in the world of communication, now a small breach in
behaviour is quickly communicated worldwide and can cause great harm to a company’s business (Jackson in Brown, 2005).

Ecological Sustainability is a driver as we -inhabitants of the world- have come to insight that the world we live in has a physical limit of its available resources. This influences a lot of what are essentialities of business, i.e. demand and supply related to costs and prices. It further causes a change of what is socially acceptable (Magretta in Harvard Business review, 2000). Customers are fed with constant reminders of the earth’s declining resources, a company ignoring the issue or in other ways neglecting its environmental responsibilities is an easy target for criticism (Werther & Chandler, 2006). This is fuelled by the increase of civil society activism and the influencing power that non-governmental organisations has over customers, employees and other stakeholders of the organisation (Jackson in Brown, 2005).

Taking a more internal approach, Löhman & Steinholz (2003) stresses the Employee perspective. It is the employees that will eventually deliver the strategies of the company and it is thus crucial that they are motivated to do so. There is no way to create a successful business unless the employees allow for it. Engaged and satisfied employees create satisfied customers that in turns create value that can be transferred to the employees – and the wheel is spinning. Employees would want to work in a company possessing the reputation of treating their employees well and furthermore, most people have a wish to know that what they are doing has a meaning. To have a motivation stretching beyond the pure financial aspect is crucial for both recruiting as well as motivating existing employees (Löhman & Steinholz, 2003).

Arguments for CSR

There are moral, rational, and economical arguments of CSR, which are linked to the interaction between society and the company. Most arguments are linked to the societal legitimacy of the company and the importance of their stakeholders as a mean for long-term financial stability, but there are also arguments being directly linked to the business such as cost savings (Werther & Chandler, 2006).

The moral argument is that CSR helps satisfying the need of the stakeholders in different ways; employees want to work for a respectable company, customers prefer to purchase products from companies they trust, suppliers want to form business partnerships with reliable companies and so on. When the needs of the stakeholders are satisfied it leads to financial benefits for the company (Werther & Chandler, 2006).

The rational argument for CSR is related to how a company through CSR can minimize operational and financial disruptions from lack of societal legitimacy (Werther & Chandler, 2006). Companies can use environmental and social responsibility as a tool for successful risk management. By engaging in Sustainability activities companies can avoid industrial accidents, consumer boycott and lawsuits originating from environmental violations (Jackson in Brown, 2005). Ignoring these issues and the company can lose its societal legitimacy through not acknowledging its responsibilities, which ultimately affects operational possibilities and financial performance (Werther & Chandler, 2006). A rational argument can also be seen in the way that a company can manage its competitors. By providing products that are better but also by setting standards that other companies need or would want to comply with. In that way can an activity that is somewhat costly initially
impose an even larger costs on competitors and give the company a relative advantage (Jackson in Brown, 2005).

The economic argument builds on the moral and rational argument and comes from the fact that companies today have an economic self-interest in pursuing CSR. CSR can help a company to stay clear of moral and legal sanctions and CSR can also through the fulfilment of the needs of their stakeholders and the maintained social legitimacy add value for the company (Werther & Chandler, 2006). Related to the cost mentioned as a rational argument, internal cost savings for the company itself is an economic argument. This argument is commonly seen and related to the environmental aspect of Sustainability. Namely, how a company through Sustainability consideration can reduce its own internal costs. This can be done by improving routines and processes to be more efficient and by going through the material usage increase the utilisation and recycling of material. This can be done in the actual production processes, at the office and elsewhere dependent on how the company conduct its business (Reinhardt in Harvard Business review, 2000).

The companies that have listened to all of these arguments tend to have an offensive approach to CSR rather than a defensive one. In a company with an offensive approach a proactive CEO that realises the intrinsic and extrinsic value that CSR add is most likely to be found. This person sees the opportunities that CSR poses in how the organisation can maximize its capabilities and identify and further develop new competitive advantages. Examples can be found in creative environmentally sound ideas, innovative building design and policies that reduces the energy usage of the organisation. A CEO accepting only parts of the arguments can be said to have a defensive approach towards CSR. Such defensive approach adds value, as it is a tool to avoid criticism and attacks, which would harm the perception that stakeholders hold of the organisation. Either way, CSR work is an up-front investment with an almost definite positive return (Werther & Chandler, 2006).
Below the authors have pictured the core characteristics and the drivers as well as the arguments for CSR while capturing how it is all balanced.

![Diagram of the drivers, argument and core characteristics of CSR]

**Moral Argument**
- Increasing Affluence
- Globalisation and free flow of information
- Changing social expectations

**Rational Argument**
- Ecological Sustainability
- Employee Perspective

**Economic Argument**

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3.1.3 **How to do it?**

The success of a company’s CSR work reflects how well it has been able to navigate stakeholder concerns and implementing these in the business model. The goal should be for CSR to form an inherent component of the organisation reflected in its day-to-day operations. The challenge is to move to a position at which all employees approach their work with CSR in mind (Crane et al., 2008).

To ensure a good outcome there has to be a full CSR commitment by management. A well-crafted CSR statement is not enough, the commitment has to be genuine and enforced in
the daily operations. The practices need to be integrated into the daily business but there however does also need to be a core team working to a larger extent with these issues. This team should be formulating which direction the company will pursue in terms of CSR, meaning that they need to have a high influence when it comes to decision making. The team defines policies that go in line with the organisation’s wider aim in how to proceed to ensure effective implementation. According to Werther and Chandler (2006) the team officer should preferably be the one that by a blend of rewards and penalties, as a response to wanted respectively unwanted behaviour, create a CSR awareness (Werther & Chandler, 2006).

The commitment of management and the work of the CSR team should result in a more sustainable business, but to be successful, the whole organisation with all its members needs to be taken into account. What should be achieved is a company culture in which the employees are socially, environmentally and ethically aware. Some companies have done this by using a more traditional way of facing the challenge, meaning to rethink processes and culture. This way according to Middleton (in Brown, 2005) often fails. What one needs to do is to look at the people, purpose and place in which this culture and way of doing business is to be performed. An organisation using the more traditional way, often end up at a place where the focus solely is on the elements that form CSR. By that it is meant that there is an environmental report and there are policies formulated but it has all been made and are owned by the CSR team failing to make a link and to include the rest of the organisation. Difference compliance and regulations, that will be further explored later on, are little worth having without the commitment and motivation of the employees. According to Middleton (in Brown, 2005) many companies do not place enough value on the soft skills and personal development of their employees. If a company is lacking the commitment and confidence to approach CSR there is a risk that it becomes nothing more than a talked about concept where creativity and innovation is missing (Middleton in Brown, 2005).

Sustainability is a goal-oriented concept, linking what happens and are achieved today to a defined set of future goals. The challenge is to overcome the goal incongruence that may occur between long-term and short-term goals. Commonly measurements are made on short-term achievements, whereby if an employee or a manager takes a step towards responsibility, the pay off for doing so may not be reflected in the fiscal results. Middleton further points at that a failure in encouraging this would lead to less innovation and creativity towards the aspect of sustainability (Middleton in Brown, 2005).

“The compass that directs steps towards sustainability is best created by a clear and detailed vision of a future that is worth fighting for.”

- Middleton in Brown, 2005 p. 439

CSR as a corporate strategy

To get to a place where CSR is incorporated into the daily business activities it should be a part of the corporate strategy. Corporate strategy points out how a company plan to achieve its vision and mission, where the vision tells what the company is striving towards and the mission explains what the company will do to get there. Tactics are further the everyday decisions and actions actually made to reach the vision of the company (Werther & Chandler, 2006). Another way to view corporate strategy is according to Burke & Logsdon (1996) as a plan, pattern, process, and positioning with the aim of creating
competitive advantage. No matter which view that is taken, corporate strategy can be seen as the company’s response to the competitive environment. The aim of strategy is for the company to reach a sustainable competitive advantage, where for the strategy to be sustainable it must be acceptable to the wider environment in which the company exists (Werther & Chandler, 2006). To reach this acceptance stakeholder concerns, social demands, economic, legal, ethical and discretionary issues should be included as strategic issues to be considered (Burke & Logsdon, 1996; Werther & Chandler, 2006).

Going back in time it was hard to see the link between CSR and strategy and the two business practices were discussed separately. Strategy addressed how the company competed in the marketplace while CSR considered the strategy's impact on relevant stakeholders. Today success can be derived from creating a link between CSR and strategy. The challenge is to find the balance between commonly conflicting interests among the stakeholders and to be able to identify which stakeholders that, at the time, hold the greatest strategic interest for the company. The way to address the challenge is to adopt a CSR perspective on the strategic planning, meaning to integrate CSR into the vision-mission-strategy-tactics connection where the outcome should be enhanced long-term survival of the company (Werther & Chandler, 2006). With other words, CSR should be seen as a very important aspect of strategic planning as it helps create sustainable competitive advantage and a more efficient way for the company to reach its vision (Burke & Logsdon, 1996).

Looking at the figure, the vision and mission desired by the company creates the need of a certain strategy being formulated. This strategy is formulated by taking the competences of the company into account as well as the environment in which it wishes the strategies to be successful. The competences that the strategy is built upon are most likely to have been created to survive in a particular environment. When formulated this strategy needs to pass through a CSR filter to make sure that the strategy does not violate any of the CSR requirements. The structure is then what helps the strategy to be implemented into the organisation (Werther & Chandler, 2006). For the initiation of this strategy, a tool commonly referred to as the Code of Conduct is often used.
Code of Conduct

The Code of Conduct is a popular tool that can assist companies to reach their Sustainability goals and by Bondy, Matten, & Moon (2004 p. 435) the Code of Conduct is defined as;

“A voluntary set of commitments that either influence corporate attitudes and behaviours or are undertaken by the company to define their intentions and/or actions with regard to ethical and other issues, or towards a range of stakeholders from a market based perspective.”

Code of Conduct, just like CSR, is a voluntary initiative and not controlled by legislation. It can be seen as a response to the lack of, by institutions and governments, applied regulations to steer the global corporate behaviour and manage the side effects of a modern society (Mamic, 2004; Bondy et al., 2004). One can therefore look at the Code of Conduct as a way for the company to self-regulate their operations in an attempt to govern corporate attitudes and behaviours (Bondy et al., 2004).

A Code of Conduct is often created to provide a very broad picture of what initiatives and goals that can be expected from the organisation on a wide range of issues. These can be issues related to terms and conditions of work, Health & Safety aspects, environmental standards, and how to manage relations between the world market and the company itself (Mamic, 2004). Initiatives and goals in the Code of Conduct are vaguely described therefore guidelines and other document are commonly used as complements to the Code of Conduct (Bondy et al., 2004).

The appropriateness of a Code of Conduct is influenced by how it is developed. If attention is given to factors such as: the variety of participants involved, effectiveness of implementation and ongoing management, training, transparency and disclosure, monitoring and enforcement, and cost incorporated into compliance with the Code of Conduct, a greater credibility and efficiency of the Code of Conduct can be reached. To consider the input from a wide group of stakeholders are seen as a sound commitment to the social aspect by the company (Mamic, 2004). However, according to Bondy et al. (2004) the Code of Conduct is commonly written by a company representative with little input from outside groups, hence creates a poor reflection of how the organisation functions. Bondy et al. (2004) state how the vagueness of the Code of Conduct is a drawback together with the fact that according to them the Code of Conduct is often not implemented, not independently monitored and incomplete where companies bring up the largest issues but misses the smaller but still important ones.

The Code of Conducts’ can be categorized in two large groups, principle based and rule based. Rule based Code of Conducts is a list of specific commitments, telling the individual what is allowed and what is not. Such Code of Conduct provides a clear indication of how to behave and can therefore be measured relatively easy. However, a drawback is that a rule based Code of Conduct does not cover all situations and needs to be updated regularly to address changing situations. Principle based Code of Conducts on the other hand is more like a list with statements of commitment to guide behaviours in a variety of situations. These are more flexible and therefore more relevant over time. However, the flexibility allows for many interpretations and is therefore more difficult to measure and report (Bondy et al., 2004).
Establishing standards

Rydén (in SIS handbook 168, 1996) describe standards as a voluntary solution for frequently occurring problems, formulated and designed by experts. There are many types of standards that exist to guide and steer products and production processes, and other business practices carried out by companies. Managers have realised the benefits to be reaped through using such standards for the Sustainability work. These standards as well as the reporting framework discussed below are designed and used, as it is not enough to do it, it has to be done well. It has also hard to establish a link between these standards and financial performance, however it can help managers in their journey towards the sustainable business (Taylor in Brown, 2005).

ISO 9001 and ISO 14001 are management systems, which are the most commonly seen standards with relation to Sustainability work in Sweden. The ISO 14001 management system is a standard there to help businesses to improve the quality of their offerings while reducing the environmental impact that producing these offerings may have. ISO 9001 are in the same way concerned with Health & Safety practices (Taylor in Brown, 2005). These management system standards help in the combining and comparing of methods and activities usually formulated and imposed from a high level in the company. In the management systems ISO 9001 and ISO 14001 it is stated that all polices, processes, products and quality control should be written down and documented. There is also a certain demand placed upon these policies and processes that steers the company in the right direction (SIS Handbok 168, 1996).

There are many standards, but it is not within the scope of this thesis to explain and outline them all, the bottom line is that it is about selecting the one most appropriate to the business and realise the value that such standard can bring (Taylor in Brown, 2005). These standards are then to be fully integrated into the business, where a standard policy should be present. There is however a need of limiting the amount of standards and use the ones that assists in the work and only those, to not create a vast amount of unnecessary administrative work (SIS handbook 168, 1996).

Reporting the Sustainability work

Even with a Code of Conduct and other documents that steer the Sustainability work, a problem that needs to be addressed is the fact that people tend to do more what is inspected rather than what is expected. This as a consequence of that most companies reward systems are built on bonuses, pay-increase and promotion which are based on performance in terms of revenues or short-term profit rather than compliance with CSR policies (Werther & Chandler, 2006). Additionally, there has also been a growing demand on companies to become more open in how they conduct business. This pressure is put on the company from external as well as internal stakeholders interested in knowing how the company work with the economic, environmental and social consequences rising from their actions (Jackson, in Brown, 2005). Therefore, it is today common that companies choose to include social and ecological aspects on top of the financial reporting. It is a voluntary choice and therefore the included topics have tended to vary extensively causing critics to claim that the Sustainability reporting is nothing more than a glossy public relation statement without link to the actual performance. To avoid this criticism, attempts have been made to try to standardise the reporting where the greatest effort has been the guidelines of the Global Reporting Initiative (GRI) (Crane et al., 2008). GRI was initiated
in 1997 as a project between United Nations Environment Programme and the Coalition for Environmental Responsible Economics until it became an independent organisation in 2002 (Ness, in Brown, 2005). The GRI guidelines are developed to suit different industries and are continually updated, the first guidelines were published in 2000 and the most recent ones in 2006 (Crane et al., 2008).

The GRI guidelines are developed through a process where consensus is sought through a dialogue between stakeholders from a variety of groups such as businesses, labour, investors, society, accountants, and academia. The guidelines are designed to be used by organizations, independent of sector, size or location therefore different practical considerations that the various companies can face have been taken into consideration. The aim of the GRI guidelines is to provide a generally accepted framework for how a company should report on its economic, environmental and social performance through indicators (Global Reporting Initiative). The economical indicators show the capital flow between different stakeholders as well as the organisations main economic impacts on society. The environmental indicators are the ones that have reached furthest in development and are related to inputs such as energy, water and material and outputs such as waste, effluents and emissions. But they also cover indicators linked to biodiversity, environmental compliance, and product and services impacts. The social indicators are associated to aspects such as human rights, labour practices, society, and product responsibility (Piper et al., 2005).

When reporting on economic, environment and social issues it is important to keep in mind that it is a constantly changing process, which does not begin or end with just a printed publication. Instead it should be part of a larger process of formulating organisational strategies, implementing action plans while monitoring and assessing the outcomes. Continuous improvements in company performance can be reached if implementing and actively using the GRI guidelines thanks to the assessment of performance that they offer (Global Reporting Initiative). There are many benefits arising from the harmonization of Sustainability reporting, however, critics have raised their voices that in the attempt to suit all different industries the GRI guidelines have been negotiated so far that they are now too vague (Crane et al., 2008).

3.2 The organisation

Corporate Social Responsibility is a concept practised by companies to create a sustainable business, where companies in turn are organisations created upon people. An organisation is formed to reach goals, which are only reachable by the mean of combined work. Combined work needs motivated people and a supportive culture (Granström, 1999).

3.2.1 Culture and Motivation

Different structures as well as dimensions of these structures will be discussed, however, behind or within these structures there are an organisational culture. The culture present in an organisation has a great influence on how work is performed and is not independent from structural issues. Work should be structured so to make the employees to work towards the same goal as the organisation. Goal congruence is of course easier to accomplish if the employees are motivated. An organisation can motivate its employees by
providing different types of rewards for desired behaviour and results. Therefore the two coming sections bring forth the areas of organisational culture and employee motivation.

3.2.1.1 Organisational culture

The word culture comes from the Latin word Colere which means, “to work on”. “To work on” with the intention of describing how people work on impressions, experiences and knowledge to make a meaning of the surroundings and themselves. Culture is developed when learning how to master the surroundings, e.g. customers, clients and suppliers. It is also developed when learning how to master internal organisational problems such as communication and coordination (Jacobsen & Thorsvik, 2002). It is crucial to recognize and not undermine the impact the culture has on commitment and performance of the employees and for the suitability of a chosen structure. (Lund, 2003)

There are many definitions, some with focus on the common goals and values and others on the tradition of how to think and behave (Jacobsen & Thorsvik, 2002). The definition chosen in this thesis is the one given by Deal (1986):

"The human invention that creates solidarity and meaning and inspires commitment and productivity."


Organisational culture is something that should be managed and that can enhance the effectiveness and competitiveness of the organisation (Hatch, 2006). How people think, feel and act together with what they value are guided by ideas, meanings and beliefs of the organisational culture. A senior manager is managing culture, implying what is important and what is less important and so framing how the organisation should be understood. Culture is highly significant for how companies and other organisations function: from strategic change, to everyday leadership and how managers and employees relate to and interact with customers as well as to how knowledge is created, shared, maintained and utilized (Alvesson, 2002).

Denison (1990) describes how company performance can be linked to the culture embedded in the organisation. Culture needs to be aligned with the strategy and these two further needs to be aligned with the environment in which the organisation is active. This imply that organisations active in a constantly changing environment should preferably value flexibility and change or have a culture characterised by participation and involvement. On the other hand, if being active in stable environment the culture leading to greater success is a culture, which posses a shared vision of the future and values tradition and conformity. All multinational companies are most likely to have been influenced by the cultural differences existing between the countries (Feist, Heely, Lu & Nersesian, 1999).

3.2.1.2 Employee motivation

Communication is a crucial aspect of how to motivate the employees. The organisation needs to communicate its vision, mission and values to all members. The vision, mission and values should be communicated in such a way that each employee knows how they influence each individual employees work. Without a clear vision of where the company is
heading the motivation level will be low. According to Bolster (2007) this communication is also concerned with the expectation on the employee, there should be no ambiguity, the managers need to continually provide guidance and a written work plan. Encouragement for personal development is another motivational factor, e.g. good work should be recognised by a certificate, bonus or an email. Employees also receive a level of motivation by contributing with ideas to the organisations development. Such contribution gives ideas for improvement but also has the positive effect that it helps to implement those ideas as they are provided by the employees themselves (Bolster, 2007).

A reward system can be seen as a type of control system, where the different rewards systems presented by Feist et al. (1999) are piecework, commission and bonuses. Where the piecework and commission is most effective when output can be measured. Bonus plans should be designed to encourage the desired behaviour among key personnel, and are usually based on the performance of the units or division upon which the key persons are responsible. For bonus plans it is important that the focus is long-term (Feist et al., 1999). Bonus plans are monetary means to motivate employees, i.e. extrinsic reward. Means that can be used to motivate employees can be divided into two groups. The first group is extrinsic rewards and includes monetary and in-monetary incentives. The other one is intrinsic rewards that relates to workers self-respect, professional growth and involvement in the activities of the organisation (Borzaga, Carlo, Tortia, & Ermanno, 2006). According to Herzberg (2003) the things that make employees satisfied are not the same ones that make them unsatisfied. Even if a small pay check would make employees unsatisfied a large pay check would not necessary make the employee satisfied. By that Herzberg implies that job satisfaction and job dissatisfaction are not two opposites. Different means of reward derived from different needs should be considered and Herzberg (2003) separates them into two different types. The first set of needs is derived from basic needs and call for monetary means of rewards such as salary, sharing some characteristics with the extrinsic rewards. The other set is the more unique human need that calls for recognition and achievement as means of rewards, like responsibility giving it a similarity to intrinsic rewards.

3.2.2 Organisational social structure

Bakka, Fivelsdal & Lindkvist (2001) describe an organisation as a group “where there is a division of labour present and an administrative function that with a set of rules, values and agreement as a foundation aims to safeguard the coordination, continuity and goal achievement” (Bakka et al., 2001 page 18-19). The goals are achieved when the work performed by the organisation is structured so that the total outcome is greater than the effort of the individual person. The organisation should thus be organised and structured in a way that best enables for the desired goal to be reached (Granström, 1999; Jacobsen & Thorsvik, 2002).

The concept of organisational social structure was born as early theorists started their mission of finding the best organisational structure independent of organisation and it refers to the relationship between the members of the organisation (Hatch, 2006). organisational social structure (organisational structure) is by Hatch (2006, pp. 101) defined as;

“The relationship among people who assume the roles of the Organisation and to the organisational groups or units to which they belong”
The definition points to the suitability of using social structure in this thesis as it concerns the people in the organisation and their relationships, in comparison to for example organisational physical structure that among other things are about furnishing and office design.

3.2.2.1 Dimensions of organisational structure

Here the reader is provided a discussion of the different aspects constituting organisational structure. The section brings forth coverage of the different aspects and the advantages and disadvantages associated to the different ways of structuring. The different dimensions found relevant are Centralization vs. Decentralisation, Formalisation, Standardisation, Differentiation and Specialization and Integration.

Centralization and Decentralization

Centralization and decentralisation look at where decision-making takes place in the organisation. In a centralised organisation decisions are almost exclusively made at highest levels and are expected to be left unquestioned and receive acceptance at lower levels. This decision making process therefore tends to be very low on participation by the members positioned at the lower levels in the organisation (Hatch, 2006). Centralised decision-making makes the coordination task easier, it also enables for the top management to have a better view of what is going on and to make sure that the organisation moves in the pre-planned direction. Centralisation further allows for quicker decision-making processes and it makes sure that top management, likely to have been in the organisation a long time, are the ones taking the decisions. However in such organisation there is a tendency for the management to be overloaded with work, leading to the benefits being reduced. The inability to safeguard the benefits of centralisation leads to slower decision-making processes and lower responsiveness. Centralisation further leads to a slower respond to environmental changes due to the distance between the people meeting the market, the market and the decision-makers (Bakka et al., 2001).

In a decentralised organisation, the member closest to the situation takes the decisions and such organisation relies heavily on the participation of many members in the organisation. In a decentralised organisation there is usually more communication and involvement (Hatch, 2006). Another reason to have a decentralised organisation is the important aspect of employees’ satisfaction. The main argument in motivational theories is that employees perform better and more when they get the possibility to influence their working situation. The person being in closest contact to the issues to be decided upon are also more likely to be familiar with the environment that influences the decision-making. The crucial aspect is though that the employee on the lower levels knows the general opinion and standards to be followed. This is best achieved by communicating values and ideas rather than directive and instructions (Bakka et al., 2001). In a decentralised organisation the challenge is the same as the benefits of a centralised organisation, control and coordination, and the fact that participation of employees takes time (Hatch, 2006).

An organisation can however be both centralised and decentralised depending on the area in the organisation, e.g. an organisation may be centralised when it comes to strategic decisions but decentralised when it comes to work-related issues (Hatch, 2006; Bakka et al., 2001).
Formalisation

Formalisation refers to written documents and guidelines in contrast to informal relationship and direct communication. Formalisation is the extent emphasis is placed on rules, directive and regulations in the organisation. There may be good reasons to have an extensive amount of written documents to make sure that what should be done gets done and that everybody know their task (Perrow in Bakka et al. 2001; Hatch 2006). It is however also a risk that with too much formalisation a high level of rigidity and unnecessary order and strictness is created (Bakka et al., 2001).

Formalisation is discussed around to what extent rules, regulations, policies and procedures govern the activities carried out in the organisation. Things that indicate on formalisation are written policies, job descriptions, operation manuals, management systems and organisation charts. These specify how decisions should be made and work performed. Highly formalised organisations have formal written job descriptions for a large number of positions. These descriptions define division of labour, type of positions and the associated decision-making and pay level to that position. Formalisation tends to reduce the amount of freedom in how employees carry out their tasks, and so increases the control that managers have over the employees. It can often give a certain level of impersonality and therefore hinder innovation as well as reduce communication. It further interferes with responsiveness because any change requires the rewriting of rules and policies, which then demands that the supervisors revise them in order to implement new rules and ensure compliance. A decentralised organisation as discussed above are more likely to be high in formalisation to cover up for the loss of coordination due to its decentralised decision making (Hatch, 2006).

Standardisation

Standardisation is the degree to which the activities in the organisation are governed by standard procedures, where the opposite is when more individual judgement and case-to-case problem handling govern the activities (Hatch, 2006). Standardisation is the mechanism that is introduced when the organisation reaches larger sizes. It is when coordination is achieved through stating what, how, when, and where, prior to the work is commenced. With a high level of standardisation everybody in the organisation knows what is expected and the procedures rarely change during the work. Standardisation can be seen in three ways, first is that tasks can be standardized in terms of content. When the content of the work is standardized members of the organisation know what to do as well as how to do it. Second, it can be achieved through standardizing the result of the work, members knows what is expected in the end but how to get there is unclear and free. The third approach is when knowledge and expertise needed for the tasks are standardized. That is, the training of the employees is made in a pre-determined way (Mintzberg, 1983).

Differentiation and Specialization

To be able to deal with the external environment, the organisation divide itself into different departments all with an important role in dealing with specific tasks related to the external environment. The dividing of the organisation into departments is known as
differentiation, which allow for the orientation and the structure to differ from department to department (Lawrence & Lorsch, 1986). One can look at differentiation from two perspectives. The first perspective is vertical differentiation, which is related to the numbers of layers in the hierarchy. The second is the horizontal differentiation, meaning how many departments/functions the organisation has (Hatch, 2006). This horizontal differentiation leads down to specialisation, which is often referred to as a synonym to horizontal differentiation (Bakka et al., 2001). According to Jacobsen & Thorsvik (2002) specialization can be made on group level and individual level.

Specialisation on group level are done by considering some different aspects, the function related to the tasks to be performed, the product and the geographical market where the tasks are to be performed, and/or the customer to be served (Jacobsen & Thorsvik, 2002). Using a functional approach the dividing is made according to the purpose of the task combined with the underlying knowledge and technical skills needed to perform it. That would be specialisation according to for example sales and production. This gives the advantage of allowing for expertise and the possibility to build up problem solving routines as well as it eases communication, as people are more likely to have the same background. However, the drawback of the functional approach is that the functions may be isolated from each other and move in different directions. It is also harder to recognize where the responsibility for the end result should be, therefore it is easy to blame what needs to be blamed on someone else. An organisation that is divided after function is more often fragmented where a lot of the information and coordinating tasks ends up at the top management causing the power to be rather centralised (Bakka et al., 2001). In such organisations the goals, influence possibilities and rewards are based on the quality of the work processes rather than sales and customer satisfaction (Nadler & Tushman, 1997).

Differencing according to product is doable when the organisation has diversifiable products or service groups. Dividing the organisation according to product yields the most benefits when quick changes in the competitive situation or in technology are likely to happen. This way, the specialists in an organisation can focus on a particular product range and thereby make quick decisions. The organisation will however, like with the function approach face problems when being forced to achieve a high level of coordination between the divisions (Bakka et al., 2001). Rewards in an organisation divided according to products are given on meeting the criterion of the product or service (Nadler & Tushman, 1997). When using a market approach the dividing is made according to for whom the product/service is made for or in which geographical area the tasks are to be performed (Jacobsen & Thorsvik, 2002). Many international companies are organized after geographical regions, where the different divisions have the responsibility for all activities in their region. The environment for a global company are characterised by complexity and uncertainty due to language, culture, governments and distances. The greater the need for local responsiveness the greater the need for differentiation according to a market approach, which then also implies that decisions are made by the local managers to a larger extent. (Feist et al., 1999). The results that are awarded in a market approach are based on the end users satisfaction and benefit of the product or service, hence the assessed value (Nadler & Tushman, 1997).

The different ways of differentiation can be used together, where the most commonly seen is the matrix differentiation, meaning a functional and market differentiation. It is an attempt to reap the benefits of having for example all purchasing grouped together at the same time as focusing on different geographical segment. The most important benefits according to Jacobsen & Thorsvik (1999) are the efficient use of human resources and the knowledge employed in the organisation as well as the developed expertise both
geographical and related to the function. It does also allow for the products to be suited meeting the local needs (Jacobsen & Thorsvik, 1999). The negative aspects of having such organisation are the necessity of the employees to work within two structures of authority, where two demands need to be balanced. An employee would in such structure have two managers, the country manager and a business area manager (Nadler & Tushman, 1996).

When specialisation is made on an individual level, it concerns the number of tasks that are to be performed by one employee as well as how narrowly defined these tasks are. Specialization is to the extent work tasks are divided into very small parts and assigned to workers specialized on that part of the production specifically (Hatch, 2006; Jacobsen & Thorsvik, 1999). On an individual level, specialisation is by Mintzberg (1983) referred to as designing of positions. The first thing to be considered should be how many tasks one position should involve, indicating on how specialised the worker needs to be. Further consideration should be given to how in-depth the tasks are, i.e. how much thinking is involved (Mintzberg, 1983). A high level of specialisation on the individual level has a tendency to create monotonous and repetitive work as well as isolation and unsatisfied employees (Jacobsen & Thorsvik, 1999).

**Integration**

For the organisation to be able to reach its goals and fulfil its purpose all parts of the whole organisation needs to be linked and held together (Lawrence & Lorsch, 1986). The organisation needs to be able to coordinate its activities across functions, business units and, if being a multinational company, across national boarders (Galbraith, 2000). Integration is how the organisation manages the coordination of the different activities and departments in the organisation. Integration can for example be achieved through direct contact, networks, cross-functional teams, rules and procedures. Where networks and cross-functional teams are most likely to produce direct contact in terms of informal lines (Hatch, 2006).

Direct contact can be both formal and informal (Hatch, 2006). Informal direct contact is by Mintzberg (1983) referred to as mutual adjustment, which is the process of informal communication. Feist et al. (1999) argue that in global organisation there is a high need for creating such informal lines of communication. This can be addressed by creating tasks that make the different functions and divisions talk to each other (Feist et al., 1999; Mintzberg, 1983). Informal communication is beneficial in larger organisations if the tasks are complicated and knowledge is expected to be developed these specialists are then required to have the ability to adapt to changes (Feist et al., 1999). Direct supervision is a more formal way to create integration by communication and is achieved by introducing a hierarchy of positions (Jacobsen & Torsvall, 1999). One or more members of the organisation are assigned the responsibility to coordinate the work by giving out instructions and monitor other workers (Mintzberg, 1983). This creates layers in the hierarchy, thus vertical differentiation. The positive effects arising from direct supervision is the ability to give clear instructions of what that should be done. It is though resource demanding and there is a possible conflict in the close relationship of supervisor and subordinate (Jacobson & Torsvall, 1999).

Networks are a way to achieve direct communication between employees. The quality and extensiveness of these networks are fundamental, and they are most likely to be a side-effect by other activities such as training and audit. The management and human resources
should here design these networks by joining the most suitable employees. These employees will thus acquire training, while creating valuable relationships and so gain a better overall picture of the organisation and the common goals (Galbraith, 2000).

Cross-functional teams are groups that are put together to address a particular customer, market, product or problem. These can be together for more permanent existents or on ad-hoc basis, and the aim is to combine expertise and coordinate their work. These groups provide a way for these people to air ideas in a way that information is exchanged. It can also be a way in which conflicts can be resolved, as there are people from different units put together to work towards a common goal (Nadler & Tushman, 1996).

Written rules and procedures were discussed under formalisation.

### 3.2.2.2 Types of structures

Mintzberg (1983) defines the organisational structure as;

“…the sum of total in which its labour is divided into distinct tasks and then its coordination is achieved among these tasks.”

- (Mintzberg 1983, p.2)

There is no such thing as a best organisational structure. One needs to carefully consider the reason for why the organisation is there and Mintzberg (1983) means that the structure should be selected to achieve an internal harmony, as well as alignment with the organisation’s situation (Hatch, 2006; Mintzberg, 1983).

After looking at the different aspects that constitute the organisational structure, the authors will now look into two extreme organisational types. An organisation can however make use of a mix of the different structures, and the structures are not to be seen as one or the other (Lorsch & Lawrence, 1986).

#### Mechanic structures

The mechanic structure is characterised by authority and control, where decision-making is made at higher levels, indicating a centralised organisation. Written rules and regulations are common, as the formalisation in a mechanical organisation is stressed. There are also clear role-descriptions including authority, responsibilities and prestige associated to each specific role. Each employee commonly answers to the person seated one level higher in the hierarchal pyramid (Hatch, 2006). The work processes are usually very standardised and the employees working in such structure knows exactly their individual well-delimited task, what they are expected to do and how it should be done (Hatch, 2006; Granström, 1999). Initiatives on how to improve work processes are not seen as beneficial since a new way of doing things requires policies to be rewritten and supervisors to be thoroughly introduced to the change. Thereby the mechanical approach limits and hinders innovation (Granström, 1999). A vertical communication where the superior gives instructions to the subordinate is used rather than a horizontal discussion (Hatch, 2006). Which implies that the mechanical structure assumes that knowledge and competence is concentrated to the top management. This creates a heavy dependency upon the competence and leader ability of the decision makers and it is not always the case that the same person possesses both (Bakka et al., 2001; Granström, 1999).
With a mechanical structure there is a risk that the goal for the employee is becomes to simply follow the rules. Additionally, there are less utilisation of the knowledge and competence of the employees, which can cause unmotivated and dissatisfied workers (Jacobsen & Thorsvik, 1999). However, the benefit of having a mechanical structure is the clear description and allocation of responsibilities. The structure also allows for a relatively exact forecast to be made in addition to that the work standardisation can boost effectiveness (Jacobsen & Thorsvik, 1999). To yield the most benefits a mechanical structure should preferably be used in a stable environment (Hatch, 2006). There are of course differences of to the extent an organisation is mechanical, where the extreme mechanical structure can be said to have an obsession for control. Where the aim is to reduce all possible uncertainty to create a smooth going machine where informal communication between employees at lower levels preferably is avoided (Mintzberg, 1983).

**Organic structures**

An organic structure has the same decision-making process as a decentralised organisation where the ones possessing the right knowledge and experience regarding the decision at hand make the decisions. Expertise is how prestige is acquired as authority is based on knowledge and competences rather than level in the hierarchy (Hatch, 2006).

In an organic structure problem solving and interaction allow for redefinition of tasks and work methods. The responsibilities and roles are redefined over time depending on situation, it thereby enables for the use of personal expertise and creativity. An organic structure uses formalisation to a smaller extent than a more mechanic structure, and uses horizontal communication and consulting between departments rather than vertical instructions. In an organic structure employees rather seek advice from each other than give instructions. The organic structure allows for innovation and is thus more suitable and beneficial when used in a changing environment with high requirement on adapting to the surroundings (Hatch, 2006).

As the characteristics of an organic structure are that it is flexible with the authority and responsibility placed on the individual rather than on a position there can be many different combinations of how employees are put together to reach the wished outcome (Jacobsen & Thorsvik, 1999). Taking the organic structure to the edge is when there is no form of either standardisation or formalisation of behaviour and job specialisation are present in the organisation, in an attempt to enable for maximal flexibility to be maintained. No supervision should be exercised rather managers should have coordinating responsibilities, acting more as peers than supervisors with their influence coming from their expertise and skills rather than from their formal position. Such an extremely organic structure is not efficient but can still be found even though rarely (Mintzberg, 1983).

A less extreme variation of the organic structure is where teams are put together to solve a problem where the selection of the members should be based on competence rather than according to their level in the hierarchal system. This should lead to an increase in initiatives by the employees at “lower” level. The focus for these teams should be on the end result rather than milestones along the way. This means that the team has the freedom to decide on how to reach the end as long as they do, with a given set of resources. This freedom under responsibility allows for better utilization of the different capabilities and knowledge of the employees. These teams should be created as a response to the occurrence of problems needing a solution rather than as a response to instructions and
orders to carry out the work. Management should focus on integration of the teams but not telling what and how to do, as it is the responsibility of the team. Therefore a high responsibility is put on the individuals as a group where the work requires a great deal of cooperation. The drawback of this kind of organic structure is that there is a risk that the teams become too autonomous and creates their own goals deviating from the ones of the larger organisation (Granström, 1999).

Below the reader finds a summary of the two structures and their characteristics.

![Figure 3 Summary of the two structures (own creation)](image)

### 3.3 Authors proposition

An organisation should be structured so that it allows for a response to the external environment while it enables the members of the organisation to do their work with satisfaction. To be able to propose such structure that helps and enhances the Sustainability work the issue of Sustainability will be briefly revised.

Sustainability is a complex business concept that needs to be fully integrated into the business and should not be bolted on. Sustainability is a set business practices and values that in a voluntary way manage externalities produced by the company. The work should be done on a voluntary basis, and steered by documents and regulations formulated by the company itself. The need has grown out of the drivers of Sustainability, such as the changing in social expectations, increasing affluence, globalisation and employee satisfaction.

With the starting point in the Sustainability work there are characteristics the authors believe to be beneficial and therefore places a certain demand on the different structural dimensions.

A centralized decision-making process causes that decisions are made based on the knowledge and expertise possessed. It is the authors believe that to have a structure that...
limits input from the lower levels of the organisation where the work is actually carry out would give a limited result. This also has an effect on the motivation of the employees. As said by the motivational theories, motivation is to a large extent derived from being able to participate in the decision making of the organisation. The success of Sustainability work is very much based on the engagement of the employees such centralized decision-making therefore is, by the authors, viewed as unbeneificial.

Considering the complexity of Sustainability not all employees can have the same knowledge needed to make the right decision without guidance. Written policies and guidelines are by the authors welcomed to steer the Sustainability work in the organisation. These guidelines can be detailed so the employees know what is expected and thereby easier can perform the work. However, with this broad stretching concept, guidelines that are to narrow may cause that some issues are left unaddressed, causing the authors to suggest broadly formulated policies and guidelines instead of detailed instructions. This discussion leads the authors to their first proposition:

Proposition 1.

A structure of the work that best enhances the Sustainability engagement is a structure with decentralised decision-making combined with low level of detailed instructions.

Different countries and departments have different requirements on Sustainability when it comes to national law and the tasks to be performed. Therefore horizontal differentiation is preferred to vertical differentiation. Even if being, at least partly, a voluntary practise, national regulations need to be taken into account. Specialisation on a group level can be done so that the knowledge needed for complying with the many national laws are placed on the people located in each individual country. This means that a group is specialised on the requirements in one country. Additional specialisations, still on group level and by the authors considered beneficial are for example how purchasing can be specialized in knowing what demands that are relevant to place on suppliers when negotiating. Specialization on an individual level is by the authors considered to be unsuitable for the enhancements of the Sustainability engagement. Such specialisation would lead to the work being too fragmented, where each employee only takes responsibility for their own parts, and thereby some relevant issues might be left unaddressed.

Proposition 2.

The Sustainability work should be differentiated on the horizontal level and highly specialized on the group level but not on the individual level.

Sustainability experiences should beneficially be shared in the organisation. Even if different departments have different issues that are most relevant to be addressed, the approach of how to include them in the daily business can according to the authors be shared to increase the utilization of learning-by-doing. Through cross-functional teams and networks a successful integration should be achieved.

To have a Sustainability work that is standardized in terms of what and how worked should be done would not be beneficial in Sustainability issues as they are constantly evolving. On the other hand, a certain level of knowledge is bound to be needed to be able to be in control and concentrate on the issues that matters that the company can have an influence on.
Proposition 3.

The Sustainability work should be integrated through cross-functional teams and networks and standardised according to knowledge.

With these propositions in mind, some structures are seen as more suitable than others.

The authors believe structures that can be found belonging to the mechanic category to be fairly inappropriate. This due to the fact that the CEO and top management plays such an important role, and as said it is not necessarily the CEO or the management team that holds the knowledge needed. A mechanic structure hinders pro-activeness, has clear instructions and narrowly defined tasks and will most likely shape employees ignoring possible improvements needed for successful Sustainability work.

A structure that falls in the category of organic structure are by the authors viewed as the most beneficial. These structures allow for the organisation to respond to the constantly changing environment, and are so less likely to ignore the changes that compliance to Sustainability engagement would bring forward. An organic structure allows for creativeness and own initiatives. Considering the complexity and changing environment it is hard to determine exactly how and what that should be done. Further, such structure are more likely to base decision-making after competence increasing the likelihood that the person educated in these complex questions are the one making the decisions.

Proposition 4.

A structure described as being organic is preferred to a structure referred to as mechanical to enable for the Sustainability work to be enhanced.
4 Empirical findings

“How empty is theory in the presence of fact”
- Mark Twain

This chapter aims at reproducing the picture communicated by the interviewees of their substantial Sustainability work. The information gathered from the interviews with ABB and Skanska is complemented with Sustainability reports and homepages where found applicable.

First of all, the term CSR will not be used in this section as both companies refer to what they do as Sustainability. When referencing in the text, only the person’s name is included while the date for when the data was gathered can be found in the initial presentation. The initial presentation further contains of general information of the company and its structure in order to place the Sustainability work in its context. The main emphasis is then on ABB’s and Skanska’s Sustainability work. What they do, their aim with what they do and what structural arrangements that are to be found.

4.1 ABB

At ABB the authors have interviewed Anders Nordström, Group Advisor at Sustainability Affairs staff Function, Gunnel Wisén, Country Sustainability Controller and Anton Lind, Local Sustainability Officer. The information gained from the interviews with Anders Nordström’s and Gunnel Wisén’s is in the text combined while Anton Lind’s is kept separately.

Anders Nordström, 2008 April 9

Anders Nordström has been at ABB since 1995, and he first started to work with Research and Development. Anders Nordström started to work with climate issues in 1999, and since 2003 he is positioned in the Sustainability Affairs staff function as a group advisor. He works with issues such as energy efficiency, global warming, risk assessment according to social and environmental aspects, and human rights issues.

Gunnel Wisén, 2008 April 15

Gunnel Wisén has worked within a variety of areas in ABB since 1981, for example production, development and material. Gunnel Wisén started to work with sustainability issues in 1996, when it mostly was environmental issues, today she works with sustainability questions on a central level in Sweden.

Anton Lind, 2008 May 13

Anton Lind has worked at ABB since September 2007, he works at Power System HVDC in Ludvika, Sweden. He has an educational background within environmental engineering and has previously worked with environmental issues at a large Swedish mining company.

4.1.1 Company presentation

ABB is a global leader in power and automation technologies that enable industrial customers to improve their performance while lowering environmental impact through better energy efficiency. ABB has offices in 87 countries and operates in more than 100,
employs 112,000 people and generated in 2007 revenues of 185,674 M SEK. ABB works with its customers to engineer and install facilities and plants that enhance efficiency and productivity. But also with providing their customers with market and product support as well as risk management services.

ABB’s business is divided into five different divisions. Power Products are key components to transmit and distribute electricity. The Power Systems offers turnkey systems and services for power transmission, distribution grids, and for power plants. The Automation Products division serves customers with energy efficient and reliable products to improve productivity. Process Automation has as its main focus to provide customers with integrated solutions for control, plant optimization, and industry-specific application knowledge. Robotics, ABB is a leading supplier of industrial robots and also provides robot software (www.abb.se). These business divisions are active in an environment where the technique is relatively established and the growth is fairly predictable and stable. To respond to such environment flexibility and stability is needed as in any business, but Gunnel Wisén believes ABB to more lean towards the need of being stable. ABB has their processes, a capacitor for example, has been manufactured using the same process the last 30-40 years.

ABB started to engage in sustainability issues in the early 1990s. The kick-off was the signing of the International Chamber of Commerce Business Charter for Sustainable Development in 1992, the same year as ABB also established its environmental affairs organisation and set up an environmental advisory board. ABB has won several awards for their Sustainability work, one of them in China where the project the Three Gorges - Shanghai was awarded Asian T & D Project of the Year. The award was given at Asian Power Awards and criteria were high energy efficiency combined with low environmental impact (www.abb.se). ABB has also been selected for the Dow Jones Sustainability World Index. ABB was further top ranked by the Business in the Environment (BiE) publication in the industry “Engineering and Machinery”. The BiE publication gives examples of companies, which have recognised the business benefits of improving their environmental management and performance (ABB Sustainability review, 2006).

Organisation Structure

ABB has gone from having a decentralised matrix organisation to be a more centralised organisation. The Executive Committee is on top of the five divisions, with their corresponding subunits. In each country there are a country management and then the organisation replicating itself. The business units in each country report both to the local country management and to the central headquarters. To make an example using the Sustainability work, Anders Nordström describes how ABB has one Country Sustainability controller in each country that reports both to Sustainability Affairs and to the country management. The environmental work is integrated in the activities, but reporting is done to a central level.

3 Revenues are presented in US Dollar in Annual report and has been converted at the rate of 6.3524 SEK/USD. Which were the current rate at 2007 December 31. (www.forex.se)
According to Anders Nordström there is a high level of formalisation to be found in ABB, Gunnel Wisén confirms this by saying that ABB has many rules, policies and instructions. The work is tightly governed through standards, for both products and processes, which Gunnel Wisén believes to be a necessity for a company of their size active in their business. A framework of rules that everybody should comply with is needed, where most of these instructions are formulated at headquarters.

Authority is based on a combination of what hierarchal position the person holds and the knowledge he/she possess, as each position demands certain knowledge. Anders Nordström believes ABB to have a very functioning structure when it comes to let competence go first but it is the person sitting at the most suitable place in the hierarchy that takes the decisions. A Country Sustainability Controller are more likely to get his/hers ideas approved if holding the country managers trust and respect, it is therefore easier the closer to each other people are situated. For example, in some countries there can be an environmental expert at a plant, but the country executive group are located in another city, this expert will then as a Country Sustainability Controller potentially have lower level of influence on the managements decision than a person with less environmental expertise but located closer to the group enabling a more personal contact (Anders Nordström).

“In real life, the foundation is that people know and trust each other.”

- Anders Nordström 2008 April 9

To integrate their business ABB works with networks of different kinds. ABB create networks with different agendas, where the teams are made as cross-functional teams, which Gunnel Wisén’s argues to be very effective. These networks meet with different frequency depending on the question to be addressed, it can be from once a week to once every second year.
4.1.2 Sustainability

What is Sustainability with regards to CSR

Anders Nordström points at the difficulty of separating these two terms, generally he says that he uses them interchangeably and often he chooses to describe the effort in these areas in terms of what they actually do. In ABB they call what they do sustainable development so the Sustainability concept lays closer at hand. Anders Nordström continues by saying that before he considered CSR to be a bit more philanthropic and mostly about sponsoring, but it is now heavier and includes more of what is relevant for businesses. Gunnel Wisén partly agrees when saying that she sees no difference in how the two concepts are used in ABB, nor the reason for choosing one before the other.

What ABB in short is doing to create a sustainable business

ABB puts a lot of effort into creating energy efficient products for the market and to make their own processes less energy consuming, where an increasing part of their revenues comes from customers’ energy efficiency. “Energy efficiency is a part of ABB’s DNA” (ABB Sustainability review, 2007). They have an ongoing energy efficiency campaign, which has given good results. The campaign is now spreading in the organisation to not just be a practise in Sweden where it initially started. An example of the energy efficiency focus are a plant in South Africa that managed to save 9% of the energy consumption, while at the same time increase their effectiveness by 75% (Anders Nordström).

ABB have many ongoing business units’ development projects and campaigns in which they work towards improving identified key indicators, commonly environmental ones. These development projects, Anders Nordström explains, do not have to be big revolutionary things, they are rather smaller projects such as, paper- and battery recycling and to introduce electrical outlets where the employees turn the power to their workstation off when leaving the office. A lot of these developments projects are similar to these examples, and they should be found in all units and on all levels. Both the environmental aspect and the cost saving are two driving factors for these projects (Gunnel Wisén).

ABB has since the early 1990s a sustainability support group, within their corporate research organisation, that develops and maintains tools such as life cycle assessment and designs for lowered environmental impact and energy efficiency. They also conduct training to ensure Sustainability is being taken into perspective and assist in knowledge transfers between the different divisions (Anders Nordström; ABB Sustainability Review, 2006).

Further they work with innovative designs to increase safety. One example of this is an ABB robotic innovation, which eliminates the risk of accidental contact between active industrial robots and people in the assembly part (ABB Sustainability Review, 2006).

Gunnel Wisén points at how ABB can and do influence as they place certain demands and requirements on their suppliers. ABB gives priority to suppliers who have implemented formal management systems, such as ISO 14001 for environmental issues, AS 8000 for social issues and OHSAS 18001 for managing Health & Safety (ABB Sustainability Review, 2006). There are some general requirements such as technologies, quality and performance, but there are also sustainability requirements that are included in the criteria to become an approved supplier for ABB (Gunnel Wisén). To guide its suppliers, ABB has established a
list of prohibited and restricted materials and substances that must be respected when manufacturing ABB products (ABB Sustainability review, 2006).

Gunnal Wisén describes how ABB attempts to utilize their existing resources in a way where ABB take a social responsibility outside their core business. This can be seen in how the buss taking employees to work in a remote part of South Africa at the same time functions as school buss for the local children.

The main reasons for such comprehensive and all-through Sustainability work

ABB’s own needs are Anders Nordström’s first answer to why ABB has such a comprehensive Sustainability work. The issues that are being addressed within the area of Sustainability have a clear connection to their product offerings, which according to Gunnal Wisén makes it natural for ABB to engage in such work.

It started with environmental issues in the 1990s, partly as a demand from the society and partly as risk handling Gunnal Wisén says. The environmental part has later been further complimented with the social issues, where even here a large part of it is societal demands, opening up for new opportunities (Anders Nordström). Sustainability is further an important question when recruiting personnel, as especially the younger generation place a high value on these questions, therefore Sustainability work can be seen as a motivational factor as the awareness towards these issues keep increasing. It is for many an important aspect on a personal level, therefore it is important to work for a company that take these issues seriously (Gunnal Wisén).

4.1.3 Structure of the Sustainability work

Gunnal Wisén means that she in her role as Country Sustainability Controller and the Sustainability Affairs group need to be relatively more flexible than many other parts of ABB. They have to closely follow what is going on in the world with extra focus on ABB’s external environment, in addition to be able respond to changes in that environment. Even if a framework of rules governs them, they need an openness and flexibility to enable quick responses to changes. The Sustainability aspects are integrated as far as possible into the normal business of ABB.

The Sustainability organisation has their own separate organisation instead of having one chief sustainability controller in each division. In the top, is ABB’s Executive Committee, and then is the Group Function Sustainability Affairs (Sustainability Affairs) where Anders Nordström is positioned. The head of the Sustainability Affairs reports straight to a person in the Executive Committee. Underneath Sustainability Affairs are the Country Sustainability Controllers, which are 47 to the number and are the Sustainability Affairs’ local managers. The Country Sustainability Controller educates, supervises, and makes revisions and follow-ups with the executive group. Not all Country Sustainability Controllers have Sustainability issues as their only task. To make an example Anders Nordström explains how the country sustainability controller in Brazil is responsible for both Sustainability and Communication. Moving further there are the Local Sustainability Officers, which in total are 349 persons, placed out on the individual sites.
Anders Nordström looks at Sustainability Affairs foremost as a supportive function for all countries and to top management. The Sustainability Affairs work with risk- and life cycle assessments, economical as well as social and ecological risks and opportunities when ABB takes on a large project. It is an extensive work with constant changes including both concrete tasks and policy related questions. Sustainability Affairs works more like a coordinator and a mentor, as they do not have the authority for decision-making, they can formulate goals but these need approval from above before being implemented. Sustainability Affairs support the implementation, but the real responsibility for the implementations is on the line managers out in the divisions. Sustainability Affairs handle all Sustainability questions that include work tasks both up and down in the organisation (Anders Nordström).

The size of the Sustainability group in each country differs according to size and business in that country. Legislation differs in many countries, and local environmental communication is therefore most meaningful on a country level. There are parts of the Sustainability work that are centralised, but a large part of it is made in the daily work at the plants, as the aim is to make the Sustainability work as integrated into the normal business practices as possible. The Local Sustainability Officer points at the common goals and he/she can formulate a local plan for continuous improvements, which he/she needs to get approved by the site management. The Local Sustainability Officer does not have a high decision authority so the issues need to be securely anchored in the local structure. The Country Sustainability Controllers and Local Sustainability Officers are responsible for foremost the environmental part, where the Health & Safety people follow the same logic. Often, but not always the one responsible for Health & Safety coincide with the one responsibility for the local environmental (Anders Nordström).

The overall governance is done through a group wide Code of Conduct, which is further down in the organisation divided into policies, group instructions, country instructions and unit instructions (Gunnel Wisén). Many of the directives are given from a central level and are very broad, examples are that all units should be certificated according to ISO14001, have an occupational & safety system, and save a certain amount of energy. On top of these directives come the local requirements, in order to catch the reality. It would be very difficult to have too detailed demands from the top as there are many different types of activities and businesses. What can be expected from an electronic plant in Germany is not the same that can be expected from a transformation plant in India (Anders Nordström).
The person positioned as the Country Sustainability Controller will be given initiatives from the Sustainability Affairs group of what to implement but they have also great own responsibility and it is in their mandate to carry out improvements that they believe are relevant. The Sustainability Affairs group initiatives are combined with central goals communicated from the group, which the Country Sustainability Controllers should include in their work plan. Then they together with the Local Sustainability Officers make sure that they fulfil those goals. It is important that the Country Sustainability Officer are aware of the necessity of their ideas being aligned with what is desired by the company. For those Country Sustainability Officers that are aware, there is a high level of freedom to carry out changes. The aim is to reach an internal understanding of how to act, as each individual in the company can then independently behave according to the existing values (Anders Nordström).

“It is often said that to apologize is better than to ask for permission. That is what it is all about, it is about a good judgement”.

- Anders Nordström 2008 April 9

Is all about understanding the mandate and perform according to the best of your ability, and if there is any uncertainty regarding the level of responsibility, authority or anything the Country Sustainability Officer should search for advice. There is a great level of freedom, but then also high demands on results.

For the Country Sustainability Controller and the Local Sustainability Officers ABB has a profile in terms of competence. The work is not steered in detail, but based around a goal or overall strategy and it is assumed that the person appointed has the competences to carry out the work. But the competence may differ Gunnel Wisén continues, some Local Sustainability Officers are very good at environmental questions, while others are good at communication which is also very important for Sustainability issues as it is about communicating what you have, where you are and where you want to go. In Sweden for example, the Country Sustainability Officer and working group have a very heavy technical expertise, which makes this group to work closely with the Communication department. However, the most important characteristics that a sustainability controller must have, country or local, is the drive and interest of the issues.

“The solutions are always out there as long as there is a driven person that makes use of them.”

- Gunnel Wisén 2008 April 15

4.1.3.1 Communication and Integration

Sustainability issues are dealt with in networks, to make these issues integrated into the whole organisation, where these networks ranges from purchase to logistics. Sustainability issues and the Sustainability work should not be just an add-on but integrated:

“It is part of the daily work, I rarely say Sustainability work any longer. It is just work.”

- Gunnel Wisén 2008 April 15

The employee working with purchasing needs to be aware and understand which Sustainability issues that are important in order to place the right requirements on the
supplier. There are conferences when the Sustainability network meets, at present these are held every second year. The network that the all environmental controllers are part of meet 3-4 times a year, while the group that works with energy efficiency meet twice a month, and then there are smaller groups and networks that meet even more regularly. Health & Safety has regional networks and meet more often, as those matters are usually more urgent (Anders Nordström).

The Local sustainability Controllers and the Country Sustainability Controllers are expected that from a common stated goal, find out the best way of how to implement these goals into the local organisation. The different divisions and countries may talk to each other horizontally and are encouraged to have a good communication to spread good practise. However, they are most likely to go via Sustainability Affairs as one tend to feel more recognised and acknowledge at a central level. Communication and consulting practices is often done through telephone conferences with one from the Sustainability Affairs and one from each of the divisions. They will then come up with a plan, in which Sustainability Affairs not necessary need to be part of. Sustainability Affairs however sometimes take part of the plan in order to gather examples from which they can spread the experience to other divisions and units in the organisation (Anders Nordström).

The Country Sustainability Controllers commonly gather the Local Sustainability Officers once or twice a year, and on these meetings one from the Sustainability Affairs is usually invited to hold a presentation. The people in the Sustainability Affairs are often out in the different countries to talk about Sustainability issues and its goals for country managers and executive groups. The Country Sustainability Controllers also has auditing of sites as one of their tasks, which means that they need to visit all sites at least every third year and conduct a proper evaluation. This can be extensive work in countries such as Italy and Sweden where ABB has close to 30 sites. These evaluations are reported and follow-ups of the Sustainability work are made (Anders Nordström).

4.1.3.2 Formalisation and Standardisation
Policies and Management systems

The Code of Conduct at ABB is a document of 24 pages and is to a large extent formulated by the legal function, and is therefore very much inline with ABB’s compliance rules against corruption. ABB is a large company so many processes are made parallel to each other. According to Anders Nordström, it sometimes goes a little bit too fast and he states the possibility of parts being missed in the Code of Conduct, which could have been avoided if the document had been made through more participation from the whole organisation. Although, Anders Nordström stresses that even if there are some parts that he would have added he is in general pleased with the Code of Conduct as it is today.

A policy for each of the areas, Environmental, Social, Health & Safety and Human rights is also formulated. The Environmental, Social, and Human rights policies come from Sustainability Affairs and are approved by the Executive Committee (Anders Nordström). These are made in order to foster improvements i.e. the environmental policy includes group-wide environmental objectives that are to be addressed in the operations. These objectives are then monitored continually and the objectives are redefined annually (ABB Sustainability review, 2007). However, what are important according to Anders Nordström are how these objectives and goals need to be feasible and financially defendable. For this he brings up an example for South Africa where in one location they are to move
production to another site within two years. The present site does not fulfill the goal of energy reduction of 5% per unit per two years but as they are to move it shortly it would not be justifiable to do the improvements on the site now. Therefore, the energy saving will have to be planned for when production is moved. If the site in South Africa would have been forced to comply with this goal it would be a risk that they would lose faith in the Sustainability work and the Sustainability objectives could lose their trustworthiness.

According to Anders Nordström, there is not much input from lower levels of the organisation in the creation of these policies. It is the Executive Committee that decides, and they also decide on what consultations that should be made. Gunnel Wisén says that they are set on a high level in the organisation, but in order to determine its design and content more people have an opportunity to give their opinion in the matter. To make it clearer Gunnel Wisén gives an example when ABB’s social policy was written in 2000-2001. It was derived out from many small case studies, in the western part of the world and in more developing countries such as China and India, to assess how ABB functioned with regards to social aspects in these societies. From these case studies and by considering international conventions the social policy was derived. This process is according to Gunnel Wisén very interesting and has been used to formulate other policies, such as the policy for human rights. Human rights is part of the social policy but considered so important so a separate more extensive policy is needed.

ABB is active in many different countries, and they have the same regulations concerning pollution and behaviour at all locations. But according to ISO systems there have to be local policies as well, which of course should not go against the group wide policy, however it should be more relevant and concrete to that particular site. For example, if there are dangerous processes present, it would be wrong to include how to recycle paper in the policy while at the same time forgetting or intentionally ignoring to bring up the real problem (Anders Nordström). These policies, given from the Executive Committee, are quite general and all embracing, but when reaching as far as the implementation on unit level they have become different rules and guidelines made to better fit the work of the individual employee. If there is an employee running the production line, he/she needs to be aware of the ecological and work environmental risks and how to manage them according to policy. An employee working with purchasing on the other hand needs to know the criteria placed on the suppliers (Gunnel Wisén).

**Sustainability reporting**

ABB work according to a diverse set of management systems concerning ecology-, work environment- and quality systems, and in these systems there are rules and routines for how to report things that deviate from what is expected and desired. Each employee thereby has a responsibility to report if there are things that are not complying with policies and guidelines. The Local Sustainability Officer and Country Sustainability Controller make yearly reports based on key performance indicators, which are then published in a comprehensive Sustainability Review of 47 pages (in 2007). This reporting is carried out according to the GRI framework, by using sustainability indicators concerning economical, ecological and social issues including work environment and diversity. More exact these could be for example a measure of “Employee commuting/business travel facilities

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4 All plants owned by ABB are ISO accredited.
incident rate”, “Training and education hours per employee” and “Direct and indirect greenhouse gas emissions in kilotons” (ABB Sustainability Review, 2006). The key indicators are as said set up according to the GRI framework, and reporting is made into a database country by country. It is up to each Country Sustainability Controller to make sure that the data input is correct, they further have the responsibility to follow up towards the business units. The reporting is then verified by an external part, through an audit. There is also a certification institution or consultant that carries out controls and verification of the Sustainability reporting (Gunnel Wisén).

The business units development projects allow for an even clearer reporting that are closer to the employees. These projects are closely followed and monitored where the results and effects are consciously put back into the activity and used to redefine goals. If the goals are to lower the cost through a more efficient production, improvements are constantly measured which makes the results more clear to the employees working on the project (Gunnel Wisén).

4.1.3.3 To get everybody onboard

It is important that all employees understand the problems and the complexity of the issues such as human rights and can relate to them (Anders Nordström). To enhance the understanding guest seminars are for example held where one example as Gunnel Wisén mentions is the education day held together with Amnesty International Business Group for their Local Sustainability Officers to create a better understanding of human rights issues. ABB also has a large intranet that can be used for Sustainability questions. A tool that can be found on the intranet is for example a tool helping designers to choose environmental friendly materials and designs (ABB Sustainability review, 2006).

ABB and Sustainability Affairs try to have workshops and education to include employees that are not directly involved in the Sustainability work. To take the energy project work as an example, Gunnel Wisén says that it is not only the Local Sustainability Controllers that work with these issues but also different functions, line people, sales and purchase. A few years ago they worked intensively with recycling, which needed the participation by the people at the production lines. Another example, according to Gunnel Wisén, is the “Managing environmental impact group” which is a group going through logistics and transport from an environmental perspective, and then spread their gained knowledge in the organisation. This group is put together to reduce the risk of transport being purchased only considering the price variable. The group consist of people possessing expertise concerning environmental issues and people from purchasing, who purchase the transports. To involve people Gunnel Wisén states the importance of being clear, that is the motto at ABB. Whatever is done has to be connected to tangible activities. To make clear what she mean Gunnel Wisén provides an example concerned with energy consumption. Within the work of achieving more efficient energy usage, they can show that selling more efficient engines results in lower energy usage, which is of interest both for the environmental concerned person and the one concerned with lowering the costs. Knowing these things for someone working with sales would be beneficial as it is a good sales argument.

There are also ways that ABB acknowledges Sustainability work in the organisation. There are some bonuses in the Health & Safety area, as that has been a main focus globally these latest years. However, many people in the organisation do not have bonuses at all, it is rather the wish to do a good job, to comply with the different systems and meet the goals
that are motivational (Anders Nordström). Gunnel Wisén explains how there is an activity aimed at gathering suggestions for improvement from people in the organisation. The reward for a suggestion resulting in an improvement is usually monetary even though more symbolic. They also have a non-monetary way of acknowledging employees’ work, which is made through the magazine “Insiders” in which individual work and individuals are highlighted.

4.1.4 Sustainability from a Local Sustainability Officer’s perspective

ABB HVDC, where Anton Lind is the Local Sustainability Officer offers turnkey systems and services for power transmission and distribution grids for power plants. Being the Local Sustainability Officer is a full time position, where Anton Lind works in the quality department with three other people responsible for quality issues such as, Environmental and Health & Safety questions. The team monitors and screen their projects according to ABB’s three quality factors; Quality, Health & Safety and Environmental.

There is a formal job description for the role as a Local Sustainability Officer, formulated at central level, but according to Anton Lind this description is fairly general and mainly describes the areas he is responsible for. The Local Sustainability Officer’s work is steered by Anton Lind himself, the unit manager and from central level that gives directives, instructions and goals. In Anton Lind’s perspective, Sustainability work is to keep the internal environmental work in control. To safeguard the system of including social and environmental aspects, to make sure that standards are met as well as that the requirements from central level are responded to. As yet, the largest emphasis is on the environmental aspect as that is where their customers have their largest focus and demands. However, there is an increasing focus on the social aspects, foremost regarding the evaluation of suppliers. Anton Lind explains how ABB now works extensively towards low-costs countries and have an increasing number of suppliers in China, where awareness needs to be created regarding social responsibility.

The directives and goals imposed from a central level that need to be complied with, are general in their formulation. The goals concern eight areas, where one of the goals is to have a certified environmental management system according to the international standard ISO 14 001. The same directives and goals are sent to all units and all countries, independent on how far in the Sustainability work the country has reached, thereby the need of keeping the goals and directives general. Anton Lind aims at including the central goals but also work extensively with the formulation of own local policies and goals more relevant to their business unit and what they do, therefore the central goals are placed in a category referred to as “other requirements”. He further works with the creation of tools and routines of how to implement both their own and the central goals, as the directives tell what to do, but not how to do it. An example of a requirement from the central level is that all units should perform an audit on the suppliers. Anton Lind explains that there is advice provided on what to look after and questions they could include but these are not mandatory. The motivation level has increased since Anton Lind started to formulate and include unit specific goals and processes to reach an even higher level of Sustainability than required by the central goals. This gives the work a better meaning and importance, where before the goals and directives were not as linked to what they do.

5 Insider is the internal magazine where news, accomplishments and other updates are given to the employees at ABB
“For us, since we have our certification already, the importance lies in to formulate our own environmental goals relevant for our unit, it increases the link and so the motivation to work towards a more sustainable business.”

- Anton Lind 2008 May 13

Anton Lind feels a strong engagement from the top management, and that the importance of the environmental aspects is stressed. ABB is a very complex organisation with many divisions, requirements and directive from different directions. However, independently where the requirements come from there is explicit focus on Sustainability, which is clearly communicated from the top management.

The Local Sustainability Officers’ network meets a few times a year and provides an opportunity for Anton Lind and other Local Sustainability Officers to discuss and to a certain extent influence policies and directives on the way to be formulated. For comprehensive issues and tasks working groups are put together, where Anton Lind gives an example of a group created to design a questionnaire that can be used when evaluating suppliers. After being formulated this will be sent on referral to the other Local Sustainability Officers, and if approved, be used as a standard for the suppliers to comply with regarding Environmental, Social and Health & Safety issues.

There is a high degree of cooperation when it comes to Sustainability work Anton Lind says, using the example of how he and the chemicals coordinator for ABB HVDC, together go through the usage of chemicals and what different types of chemicals that are used. This way they can assess what chemicals that can be eliminated in the production and those ones were reduced usage should be encouraged. If there is training and education held that covers chemicals, the two of them are most likely to go together. When it comes to the people in the unit, they know whom to turn to when concerned with Sustainability issues. Anton Lind then take suggestions and comments further, either to his manager at the unit if it concerns how things are done at ABB HVDC or he can go via the Local Sustainability Officers network, or if urgent, directly to Gunnel Wisén.

For counselling Anton Lind turns to Gunnel Wisén and to the person that had his role before him. The Local Sustainability Officers network also provides opportunities to share experiences and receive counselling and advice. Furthermore, Anton Lind continues, Ludvika has four units that have a common production permit given by the county administrative board, leading to the need to combine production and environmental results. For this purpose an environmental group that meets six times a year has been created. This group discusses the issues need to be addressed and makes the environmental report to the county administrative board.

To communicate the Sustainability work to the whole unit Anton Lind provides information on the intranet. There are also weekly meetings and manager meetings, where he aims at participate to present himself and the Sustainability work. The management at ABB HVDC conducts a yearly review of the environmental management system, which further spreads the Sustainability work as every unit writes a report regarding the environmental issues and discusses the year just passed in terms of goals, goal accomplishment and future goals. This report is available to all employees at the unit. The intention is also that all employees working at the unit should go through a basic education bringing forth the essentials concerning the environmental aspects of their business, which is required from central level. It is up to Anton Lind to make sure that all employees receive this education and that it covers what needs to be covered. Anton Lind concludes
by saying that involvement is gained by spreading information to all employees at the local level.

4.1.5 Success factors at ABB

ABB has worked with these questions for over 20 years making it an anchored and natural part of the organisation. Sustainability issues are under constant development and ABB aims at keeping themselves on top. Anders Nordström stresses the importance that the Sustainability thinking pervades the whole organisation and reaches all members, as it otherwise becomes something that people somewhere in the organisation write about but nothing happens. Gunnel Wisén confirms it, when saying that it is a necessity otherwise the Sustainability work would not be trustworthy.

“The thinking needs to pervade the entire organisation, it is unbeatable even in the questions of the values that the organisation stands for!”

- Anders Nordström 2008 April 9

Anders Nordström further place a high value on the reporting system that he argues is a great part of the work, where the structure of the reporting system is the essence and the core. The reporting system is well designed and built-in and makes many people in the organisation involved in the work. Anders Nordström however argues that there need to be a core team of people that work more focused with these issues, while the basics and the values must be known to everybody. The employees need to know why ABB is considering these aspects and why it is so important. No matter where in the organisation that the person is he/she must have an understanding of how Sustainability affects his/her work and how he/she can make a difference. It is also very important to educate to build awareness and to spread the knowledge in how to use the tools available and how to follow the instructions.

Management engagement is a crucial factor according to Anton Lind. If the engagement does not start there it would be difficult for him as a Local Sustainability Officer to stay motivated and engaged.

“The success factors lie in a clear engagement from top management combined with the knowledge being anchored and the issues understood among all employees”.

- Anton Lind 2008 May 13
4.2 Skanska

At Skanska the authors have interviewed Noel Morrin, Senior Vice President of Sustainability, Hans Wallström, Environmental and Health & Safety Manager for the business unit Commercial Development Nordic, and Ulf Jonsson, District Manager for Region House Stockholm North.

Noel Morrin, 2008 April 3

Noel Morrin has at Skanska since 2005 and with sustainability issues since the end of the 1980’s. He ran the environmental campaign for Prince Charles 1991-1994. He has been involved in the Kyoto protocol and further cleaned up after Exxon Valdez in Alaska. Noel Morrin has worked with environmental issues in big companies, governmental organisations and NGO’s.

Hans Wallström 2008 April 9

Hans Wallström started to work for Skanska in 1990, first with project management and then with production and quality control including the certification process of ISO 9000. He now works at Commercial Development Nordic, a unit working with the development of real estates owned and maintained by Skanska. Hans Wallström’s link to environmental issues was his work with this ISO 9000 certification and his own personal interest. He started to work with environmental aspects when Skanska where to certificate all its units according to ISO 14001.

Ulf Jonsson, 2008 May 16

Ulf Jonsson has a background in material usage starting from the more practical work at project level. He does now work with material but on a more strategic level at one of the construction units. Ulf Jonsson has worked active with Sustainability issues since 2001, when he started it as a response to his own interest and as an attempt to bring the Sustainability aspects into his projects.

4.2.1 Company presentation

Skanska is one of the world’s leading construction groups with expertise in construction, development of commercial and residential projects as well as public-private partnerships. Construction includes building construction, for example offices, industrial facilities and homes, and civil engineering projects such as large bridges, tunnels and roads. Skanska develops residential areas all the way from choosing the location to planning and designing. At commercial projects Skanska purchase, plan, develop, manage, lease and divest property projects. Skanska further deliver benefits to the users of roads, hospitals, schools and power plants. Skanska has 60 000 employees and are active in Europe, the US and Latin America, where the US is the singe largest market. These markets generated revenues of 138,781 MSEK in 2007 (www.skanska.com). Skanska opens and closes 40-50 projects every day, which requires an organisation that is flexible and constantly looking for what that is needed (Noel Morrin).

Since the late 1990s, Skanska has been exploring and defining how it can contribute to a more sustainable world. Since 2002 this commitment has been incorporated into corporate
policies like the Code of Conduct and the Five Zero vision.\textsuperscript{6} Skanska has an extensive sustainability work and were during 2007 appointed several awards for their good effort and work in this area. Engineering News Record appointed Skanska to be the best construction company at green construction in the US-market (CSR i praktiken.se). In the UK Skanska was appointed as the "Sustainable Contractor/Construction Manager of the Year". Further more in Latin America, Skanska was given the award "Latin American Safety Award" from Latin American Safety Association (www.skanska.com).

**Organisation Structure**

Skanska is a complex and highly decentralized company. It is project based and as the project list always changes, the organisation of Skanska is constantly changing shape, as teams of employees and subcontractors form, disband and reform over the lifetime of a project (www.skanska.com). That is reflected in the organisational chart of Skanska that only shows the frame of the organisation.

![Organisation Chart Skanska](image)

The headquarters of Skanska is small, only about 80 people for 60 000 employees. People working at the headquarters tend to work in small teams and are mostly busy with formulating policies and strategies. Through these policies and strategies these people have a great deal of influence but less real power, as with such decentralised structure the power is rather out in the organisation. This results in line managers with a lot of responsibility (Noel Morrin). Hans Wallström turn to himself as an example when saying that he does not have the power to take decisions as he does not work on the line, but instead he has the competence therefore, a great chance to influence the decisions made. There are both positive and negative consequences of having many people involved in the decision-making, as it makes it much more complex to reach an agreement and it is a slower process but on the other hand the outcome is likely to be better. As everyone has power, the challenge is how you influence them to use their power to do the things you want them to do, Noel Morrin states.

How authority is allocated varies with place, project and over time. It is a combination of competence and on what hierarchal level the person is to be found. This is again a

\textsuperscript{6} Further information concerning the “Five Zero Vision” and the “Code of Conduct” are given further down under the heading of “Policies and Guidelines”
consequence of how the organisation of Skanska constantly changing its form. Noel Morrin compares their business to a factory and states them to be each other’s opposite. Skanska is completely different to a factory in which a relatively similar environment is expected every time visiting the site.

Such large decentralised organisation has a demanding task of coordination, and in Skanska this is achieved by working through existing functions. Construction is fundamentally a local business that Skanska has scaled up, keeping the localness but also gain the advantages of being big (Noel Morrin).

### 4.2.2 Sustainability

**What is Sustainability compared to CSR**

Skanska do not talk about CSR but rather sustainable development, as according to Noel Morrin CSR is very political and poorly described concept, where sustainable development is much easier to describe and easier to implement too. The reason for Sustainability being easier to implement is that Sustainability was defined when the Coalition of Environmental Responsible Economies under the UN worked out an agenda for businesses that wanted to be sustainable. They worked out the classic triple bottom line, social, environmental, economical. Over the years they have become more sophisticated at defining indicators for those three areas and reporting processes under the global reporting initiative (GRI). According to Noel Morrin businesses need to be very careful where they go in the CSR agenda, as some of it is really the responsibility of governments and politicians. That is why Skanska talk about Sustainability instead of CSR. Furthermore, initially Skanska’s focus was on the environmental part, and it is in the later years that they have included the aspects of social and economical issues in their Sustainability work (Skanska Sustainability report, 2007). Hans Wallström says that he looks at Sustainability as a wider concept in which one needs to make the social, economical and environmental aspects to intervene in order to be sustainable in the long run. Where in his eyes the CSR concept is to have a broader responsibility than to generating profit for the shareholders.

**What Skanska in short is doing to create a sustainable business**

The strategic work at Skanska has more focus on energy and the climate now than ever before. They are creating more indicators for the next three years to acquire more feedback on what is going on. Looking at material, there are indicators and strategies concerning how to manage waste, and how to select material in an intelligent, sustainable way. The later is of importance as the structure built will stand for maybe 50 years causing the material-decision to have a long-term impact. Skanska is further looking more into altering their supply-chain to have a more active approach and to integrating sustainability considerations into purchasing decisions. This to able to make sure that for example the organisations supplying Skanska with timber and stone understand their social and environmental impacts (Noel Morrin).

In Poland, Skanska is currently (April 2008) constructing a 90 km long highway, where Poland has some of the most important bio-diversity in the whole of Europe. Therefore projects like a highway would not get approval from neither NGOs nor the EU if not making it sustainable in terms of bio-diversity. To get this highway approved by both of
these parties and by Skanska themselves, this 90km long highway is constructed with 78 animal tunnels. That was an action that they ought to do, where another example of a truly voluntary action was how they went out of their way to handled protests from Norwegian NGOs. The Norwegian government gave Skanska permission to dump mud, resulting from the dredging of a channel, at sea outside the coastline, but NGOs and local media turned against it, whereby Skanska decided to deposit it at a landfill on their own expense, which came to 15MNOK (Skanska sustainability report, 2007; Noel Morrin).

Skanska have further constructed a building qualifying for the EU Green Building certificate. The criterion for such building is a 25% lower energy usage than the norm requires. This building has also inspired the organisation renting it, which has continued the work with environmental friendly furnishing. This has in a way become something of a competition where it is a challenge to have the most EU Green Buildings Hans Wallström says.

What Skanska is trying to do is to change markets. When being in countries such as Poland, Slovakia or Estonia, Skanska can show what is possible (Noel Morrin). Skanska show them that even with an initially costlier design, proper made construction where energy efficient materials are used saves costs in the long run. This is where the opportunity of innovative environmental design comes in (Skanska Sustainability report, 2007).

Skanska place Sustainability requirements on their subcontractors meaning that all subcontractors doing business with Skanska needs to comply with their Code Of Conduct which is part of the initial contract signed between the two parties. Skanska’s employees are then auditing the subcontractor’s social and environmental record among other things to provide purchasing functions with information (Skanska Sustainability report, 2007).

**The main reasons for such comprehensive and all-through Sustainability work**

According to Noel Morrin, the Sustainability team has two roles, the first is to provide assurance to the Board of Directors and to the shareholders that these issues are understood and under control. The second is to spread good practice, where their Sustainability work is a combination of complying with regulations and voluntary practices.

“We are not a charity but not into doing destruction for fun either so we have to look at each project from a social, environmental and economical aspect and try to do the right thing. Most of the time we get it right but sometimes we get it wrong”.

- Noel Morrin, 2008 April 3

Hans Wallström brings forth the aspect of employees being motivated by the fact that Skanska has such comprehensive Sustainability work. He provides training for the newly employed twice a year, where he covers areas such as environment and Health & Safety issues and how Skanska addresses and works with these. Surveys among their employees’ shows that, especially younger people, place high value on the company’s profile in these questions. From the social view, the aspect of the employees’ health and safety is the most important aspect to include in the Sustainability work. To make the sites to be as safe as possible is extremely important and a criterion after which the mangers are evaluated and it is also included in the 5 zero vision discussed further down (Skanska sustainability report, 2007).
4.2.3 **Structure of the Sustainability work**

Noel Morrin points at the importance of aligning the Sustainability work with the culture and structure and as Skanska’s business model is very decentralised, they have to put their sustainability work, policies and strategies on top of that model. The aim is to not create a conflict between how the business does its business and how it delivers a more sustainable outcome.

“*Skanska consider Sustainability as just another aspect of good business practice…*”

- Noel Morrin 2008 April 3

…therefore the Sustainability agenda is incorporated into the responsibilities of the line organisation. Skanska try to graft sustainability onto all existing functions like production and purchasing, therefore a Sustainability manager will not be found at the different units but instead an environmental-, safety-, production- and purchasing manager all taking an appropriate piece of the Sustainability agenda into their work. As can be seen from Commercial Development Nordic’s organisational chart where Hans Wallström has the description as Environment and Health & Safety manager.

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**Figure 7 Commercial Development Nordic AB Organization Chart**

Noel Morrin has a small team consisting of four people positioned at headquarters, and he reports to the team’s contact person in the executive group. The Sustainability group set policies, strategies and communicates the desired direction. They also have coordination responsibilities for the Sustainability work however the implementations of these strategies are the responsibility of line management. Corporate champions and individuals/teams with the appropriate competence are there to support these line managers with the implementation. All the Sustainability components have been mapped so that each has an appropriate functional champion, for example, business ethics is championed by the legal and internal audit function (Noel Morrin). The detail of how it works is however up to the business units to decide, where each unit has established a Sustainability management structure appropriate to its needs ([www.skanska.com](http://www.skanska.com)). This means that how strategies and policies get acted upon on a local level varies from place to place and project to project as every project is different. To achieve success in sustainability issues in such large decentralised organisation it is all about that the line managers taking the responsibility for
making the business socially and environmentally responsible and economically successful (Noel Morrin). Furthermore, during 2007, the responsibility for competence and training regarding Sustainability has also been distributed to a number of line managers (Sustainability Report, 2007). Hans Wallström states, that even though he is the environmental manager, it is not up to him alone to include the environmental aspects in the daily activities. It is up to each and every one in the organisation, and that is the approach that has proven to work in Skanska due to its decentralised nature. However, Hans Wallström continues, compared to Skanska in large the way that Environment and Health & Safety work is structured now is a bit more centralised. The business decisions are usually taken far out in the organisation while decisions regarding environment and Health & Safety have become more centralised, with more common policies and performance indicators. This can also be seen on the project side where purchasing mostly have been performed at the project level, where now an increase in the use of centralised purchasing can be seen. This will help to improve their supply chain and its impact on the three aspects of Sustainability (Skanska Sustainability report, 2007). Hans Wallström sees great benefit with this new alignment, as it otherwise is difficult to provide a unified picture of the company. To have a shared policy and environmental strategy gives everybody a feeling of what areas are most important for the group and gives strength. Except from some agreed upon policies, the work is decentralised, with independent units and functions, where the Sustainability team do not prescribe the solution, they just say state the goal and the timeframe. Where an example given by Noel Morrin is that Skanska recently published a globally spanning green car policy. Skanska want half of their car fleet to be less than 130g CO₂ per kilometre by the end of 2010. The solution is not there, but the end result is. The Sustainability team then work in close connection with the businesses units to help them, if needed, to implement the policy. They further spend a lot of timeout at the business units to ensure that the policies make sense and to share their experiences.

Hans Wallström gives another example on how it works in reality, but where the instructions however are more detailed. He says that when they are developing new project they have an environment- and work environment programme that govern how they should work with those questions in the project. This programme tells about how for example the recycling system should look like and what material that should be used. The document is by such quite detailed so even if there are some freedom the work is built around a certain standard and framework. This framework is constantly revised and the positions are being moved forward. Standards are needed as otherwise, if having ten projects that would give them ten different solutions for this and that and then ten different techniques need to be learnt to enable maintenance. Therefore the details of how to do things have to be there to some extent.

If the needed expertise on a certain topic cannot be found within Skanska then external expertise is brought in. Outsourcing gives flexibility and flexibility is needed as sustainable development is long-term the subject and priorities changes all the time. Outsourcing gives access to experts, being out in the world updating their expertise, which that is the key to why outsourcing is beneficial according to Noel Morrin. A team that always has the right combination of skills and experience is difficult to achieve, so a model with a flexible team of high quality people works well.
4.2.3.1 Communication and Integration

To make sure that employees with decision-making power further away from the headquarters includes the Sustainability aspects, the Sustainability group organises workshops where they bring these people together. These workshops are about bringing people together and putting names to faces and create virtual networks. Thereby people in the organisation know the Sustainability team as they have been to the headquarters and meet them.

“People might be 1000s of kilometres away but they feel like they are part of the team and that is a way to bridge that gap and make them feel a commitment to what is going on.”

- Noel Morrin 2008 April 3

In order to have an effective flow in the communication of policies and practices a number of networks exist that facilitate implementation of the Sustainability agenda; Skanska Safety Performance Network, Skanska Environmental Performance Network and Business Ethics Network. These networks are created to share good practice and drive performance and are made up of relevant senior managers (www.skanska.com).

The most important link in the communication between for example Hans Wallström and Noel Morrin can be found in these network meetings. That is when they have most of their direct contact and have the possibility to discuss properly. It gives the possibility that to a certain extent influence what comes from above to some extent, however, instructions and decisions coming all the way from the executive group are not really negotiable Hans Wallström says. But on the other hand these decisions are most likely a result of input from other parts of the organisation, he continues.

The Sustainability team aims at visiting one business unit each per month. Skanska depends on people functioning as contact points and spreading the message, especially as they are working in multiple languages. A lot of it is about personal contact, as sending out instructions from the headquarters would not be a doable option in such a decentralised organisation. There are many ways of communicating, face-to-face is best especially for a concept like Sustainability as it is highly complex Noel Morrin states. Everybody has a different view of it, from a very sophisticated view to not even be able to spell it.

4.2.3.2 Formalisation and Standardisation

Policies and Management systems

When formulating policies there is a very long process of consultations. The Sustainability group recently finalised the next version of the Code of Conduct. The work to formulate it has been going on for about a year and it is only 4 pages long. Noel Morrin explains this to be due to the process of consultations, which includes going out to the business units and talk to the chief executives of the units and others. This Code of Conduct could have been done in a day, and would probably have been 95% similar to the one-year product. But both Noel Morrin and Hans Wallström sees the great benefits that the one year result brings and start by saying that the difference is that the one year product have the buy-in and involvement of all key people. The difference lies in the human factor, to get everyone to contribute. It looks like a very simple and short document, but it is the work of an enormous number of people (Noel Morrin; Hans Wallström). The Code of Conduct is then further broken down into a Health & Safety-, Economic-, Social- and Environmental...
policy. In 2007 a new environmental policy was published including Skanska’s public commitment about its strategic objectives, key performance indicators and targets (www.skanska.com).

Skanska’s financial targets are to exceed the industry norm. However, they have also adopted qualitative targets, the already mentioned 5 zeros vision which are closely aligned with Sustainability issues. They are:

- **Zero loss-making projects**, loss makers destroy profitability and customer relationships.
- **Zero accidents**, whereby the safety of the personnel as well as subcontractors, suppliers and general public is ensured at and around projects.
- **Zero environmental incidents**, projects should be executed in a manner that minimizes environmental impact.
- **Zero ethical breaches**, meaning a zero tolerance approach to any form of bribery or corruption.
- **Zero defects**, with the double aim of improving the bottom line and increasing customer satisfaction. (www.skanska.com)

The people in the organisation have to reach all the targets, it is not enough to just make a lot of profit and go out and destroy the environment. It has to be balanced and that is what sustainable development is, a balance between economic, social and environmental issues. One of the five zeros is zero loss making projects, Skanska know that projects that loose money normally have a lousy safety record, lousy environmental record and have unmotivated people. Each year a review of the balance of the 5 zero vision aspects are done and depending on what the aim is in policy term the ratio of one aspect may be increased while another is decreased (Noel Morrin).

Skanska are accredited according to several management systems that helps to structure their work. These are the ISO 14001 – Environmental management, ISO9001 – Quality management, OHSAS 18001 – Occupational Health & Safety and the SA 8000 – Social Responsibility (www.skanska.com). How Commercial Development carries out their environmental work is very much decided by the fact that they are certified according to ISO 14001 says Hans Wallström. To work after ISO 14001 creates a way to make the work more structured and relevant. Since getting certified they now have a clearer path ahead, and focuses on the real important questions and environmental aspects. These aspects are worked out in cooperation between consultants, line people and the CEO. Once these guidelines are determined the work is steered pretty firmed, it is a clear structure and order in what they are doing. One of the requirements for the ISO 14001 is to have a, to the business, relevant environmental policy. So the commercial development unit cannot have the same policy as Skanska Sweden as they are within different fields and thereby different aspects are important for the different units. The policy needs to keep a good balance between not being too detailed at the same time as not being too vague. It is about identifying the important questions otherwise it would not be possible to communicate it properly (Hans Wallström).
Sustainability Reporting

In 2006, Skanska started using the GRI framework as guiding for their reporting of Sustainability issues. This has led to an improved gathering of and interpretation of the data gained from the key Sustainability indicators produced at the units (www.skanska.com). Prior to using the GRI framework the units differed in their way of reporting. This way of having common goals in the area of Sustainability is welcomed as strength by Hans Wallström. The practise before was that each unit did their own environmental investigation and it was no real coordination or overall strategies. The way it works now, they have much clearer governance, which according to Hans Wallström has led to a huge difference compared to when it was uncoordinated and without any overall agreement of how to govern these issues. There has been a need to make the reporting more project friendly as a conventional reporting method compares year to year, which is not particularly useful in a project based company like Skanska (Skanska Sustainability report, 2007). The GRI framework is generic and based on that framework Skanska has been able to further develop its own Sustainability agenda to better focus the strategies and actions that balance the trade-offs between economic, social and environmental considerations (Noel Morrin). However, in the sustainability reporting only the most relevant key indicators can be included. This is linked to that within the construction industry the margins are small, 1-4%, so bureaucracy would be too expensive (Noel Morrin).

4.2.3.3 To get everybody onboard

Skanska’s Code of Conduct and Environmental Policy specify mandatory training regarding the environment and business ethics for all employees. In addition, Skanska has a strategic focus on the development of its personnel. Training is managed on the business unit level with two exceptions, of two separate executive training programmes held on a more central level. Additionally, each business unit has an organisation for developing, managing and delivering internal and external training programs. All business units are further expected to train everyone in the Code of Conduct, and all new employees have to sign the code and go through an introduction process. Hans Wallström believes that to create a proper understanding of the Sustainability aspects they need to be broken down. Sustainability is an abstract complex area and can be hard to grasp, but if working with the different parts of Sustainability individually one can see that it pervades the whole organisation. Hans Wallström here takes up the green construction example and how this focus has increased and created awareness of the question regarding the energy consumption.

Hans Wallström states that what it is all about is to inform, educate and create awareness, it is also about initiating peoples’ engagement and make them involved, values are placed on participation and team creation. This is important, as it is too easy to push something away when it is not really included in your tasks. Hans Wallström said that when they currently remade their management system he was not a part of it, it was rather the line people, and that was a way for them to have their say in the matter. This way the people in the organisation first acquire knowledge about the environmental issues and second are a part of making decisions. To deal with these issues by taking a more top-bottom approach would face a lot more resistant. Furthermore, Hans Wallström says that leadership in Skanska is to a large extent about being supportive and act as a mentor. Skanska conduct its business in such way that a leadership style that is completely hands-on would never works.
To motivate managers to work in the right direction the bonuses of the top 250 managers in Skanska depends on the delivering of the 5 zeros. These top 250 people reports after a series of performance targets, including performance in Health & Safety, Ethics and Environment. A part of their bonus is then taken away, if failing to deliver according to any of those targets. To motivate people not on a managerial position, each business unit has to decide how to do it locally as it is part of the decentralisation. How this is done is affected by the cultural approach therefore it differs in the way it is done in Czech Republic compared to for example Finland. It is about making use of the best mechanisms available in the market or culture to achieve motivation (Noel Morrin).

For Health & Safety, Commercial Development gives a price to the best project regarding work environment within each business unit. This price is given during Skanska safety week, a week devoted to work environment questions. There are also prices such as Environmental award and Health & Safety award, for which projects apply for the awards at group level. These awards however are not as personal as they are given to the project as a whole.

4.2.4 Sustainability from a District Manager’s perspective

The meaning of Sustainability work can be extracted from the word itself Ulf Jonsson says, it is about creating a sustainable development through business practices and the organisations wider responsibility to the society. But it is however important to not forget the profit making part of Sustainability either which contributes to the survival of Skanska, Ulf Jonsson continues. Sustainability is important for all businesses but the importance is amplified at Skanska as a construction company make extensive use of hazardous material and the energy consumption needed to produce building material is extremely high. Ulf Jonsson’s link to Sustainability work was initially through environmental work at Skanska which he always has been interested in. He was more properly introduced to the concept of Sustainability when meeting Noel Morrin at a construction site two years ago. Now Sustainability is a part of the work carried out by Ulf Jonsson, but it is as yet, largely from his own initiative. Ulf Jonsson says that previously little coordination of the Sustainability work has been noticed out at the projects and that the Sustainability team has mostly functioned as a relatively isolated executive function. The aim with the Sustainability work now is however to reach a point where the work is adjusted to become more project friendly. An initiative has been taken by Noel Morrin, where Ulf Jonsson is involved, with the aim to gather business units and projects, where the actual work is carried out, in an attempt to further relate the Sustainability to reality. This initiative tries to bring in more of the real challenges posed on the project into the Sustainability group.

Ulf Jonsson feels a strong commitment towards Sustainability in the organisation, relating to the guidance of the 5 zero vision that the company culture is built upon. The 5 zero visions are communicated everywhere at all times, from executive meetings all the way down to project level. If failing to fulfil any of the 5 zero visions an explanation to top management will be expected of the underlying cause. These visions have a similar outcome as written guidelines and regulations, as they a way of telling how to behave and where to get. Sustainability issues are incorporated into the 5 zero vision but beside them Ulf Jonsson does not yet feel that there are many policies and guidelines bringing in the Sustainability perspective in how he should conduct his business. The Sustainability policies and directives regarding these issues are according to Ulf Jonsson not that visibility on the project sites yet, and he cannot point at any particular requirements placed on the projects
from the sustainability team. However, there are some practices that regulate the way that Ulf Jonsson and his colleagues conduct their business, he brings up the fact that Skanska is certified according to ISO 14001, however also states that these requirements now are daily routines. But, he continues, the Sustainability policies are on their way but things like this takes time before it pervades the whole organisation and in the corresponding business practices. By using himself, an example is given in how these practices are spreading in the organisation. Ulf Jonsson learnt about a new energy technology, geo-thermal piles, used by Skanska UK, which caught his interest. He got in touch with the responsible project leader and has now been in London where these projects are actually carried. According to Ulf Jonsson it is all about pro-activeness and too look for the many opportunities arisen within Sustainability issues. In further attempts to spread and inspire Ulf Jonsson aims at keeping his regional manager updated on what he does Sustainability wise, and further tries to communicate this to others via the different regional managers meetings. The way that Ulf Jonsson gets the people on his projects to work towards and incorporate the Sustainability thinking into the daily activities on the sites is through trying to share his own inspiration and motivation. Where there is a general consensus that the Sustainability questions are important and should be worked with.

The initiative to anchor Sustainability in the projects has, as its first activity, a meeting concerning hazardous material. It is a network activity where representatives from different business units are invited to learn about types of materials and how they can be handled or avoided. Ulf Jonsson will contribute with how it works out in the projects, like a counselling role in these issues to whom the business units managers can turn to when input from the projects is required. This way of direct and open communication combined with the opportunity to participate in the decision-making process is Ulf Jonsson’s experience regarding the Sustainability work. There are always someone willing to listen and to take feedback and input. Concerning the decision-making process Ulf Jonsson consider himself to have a great deal of influence, maybe not in the actual decision-making but in the process of getting there. Ulf Jonsson can take the time he wants to work with Sustainability issues and is not hindered in any way, although, at the same time he is not explicitly told or encouraged to do so either.

Skanska’s customers have not yet started to place any great demands on them as constructors. So far, there are certain requirements of how material should be handled, but they are not very extensive or hard to comply with. Ulf Jonsson however believes that the economic interest in this area will increase, with a probable result of more demanding requirements from the customers. He continues by saying that the things that Skanska are doing well when it comes to their Sustainability work is their way of being in the forefront on these complex issues. Skanska have a taken a standpoint and aim at incorporate this into the whole organisation. According to Ulf Jonsson, it is important for Skanska to continue to develop even further in their Sustainability work to be able to catch the opportunities presenting themselves from these demands.

“Everything that has to do with sustainability, is the big business of tomorrow”

- Ulf Jonsson 2008 May 16
4.2.5 Success factors at Skanska

What the success is based on is that they are very good people that are very passionate about what they do. A big success factor lies in the quality of their projects. It is a combination of those things, good people, good motivation and delivery, as Skansa is in an industry where it is seen if it is wrong (Noel Morrin).

To be able to reach the success Sustainability thinking needs to pervade whole organisation as Noel Morrin puts it “you are only as strong as the weakest link”. The top executives have influence but no power, the power is found in the project. Therefore it is crucial to encourage people and tell them what is good and bad and what direction that is desired as it is the people in the line that can make the right or the wrong decision. Skansa has got 12 000 projects going on this year meaning that it is not possible for the executives or people higher up in the organisation to be everywhere. So the employees of Skansa contribute to the Sustainability work by making the right decisions, they are the ones holding Skansa’s reputation in their hands says Noel Morrin.

Hans Wallström continues and adds to Noel Morrin’s discussion when he gives the credit for the successful Sustainability work to the engagement starting at top management and all the way down in the organisation. He then takes up the issue of being certified, which requires all members to be involved and educated in the matter. As Skansa has been certified for a while, most employees are familiar and educated regarding the Sustainability issues. The support and engagement from the top management has lately grown to be even stronger, adding to the success. Here Ulf Jonsson adds that it is the clear commitment and standpoint taken in Skansa and very good people present that are the success factors. The CEO, both present and previous, has been very clear in communicating how Sustainability needs to be prioritised.

How far these Sustainability issues have pervaded Skansa the authors noticed as they in the elevator heard the following conversation take place between Hans Wallström and Mats Williamson, CEO of Skansa Sweden;

“So Hans, have you spilled any CO₂ today?”

“I have, went to town and back and actually took the car, but… flex fuel so not as bad.”

People are much more aware and the issue is discussed to a much larger extent and in another way now than been before Hans Wallström says.

“At Skansa sustainability work is properly substantiated from project and line level with a strong support from top management”

- Hans Wallström, 2008 April 9

Sustainability will further according to Ulf Jonsson enable Skansa to attract even better people, and that is where success in a company is derived from.

“It is about creating that positive circle in which good people create a sustainable business and a sustainable business attracts good people.”

- Ulf Jonsson 2008 May 16
5 Analysis

“A study without reflection is wasted – reflection without a study is dangerous.”
- Konfucius

The analysis has been made through combining theories and empirical data to identify main requirements, that Sustainability place on the structure. These requirements can be found throughout the text highlighted in bold and italics. The analysis further brings up how ABB and Skanska manage to meet these requirements. Describing the overall structure of the Sustainability work in the two companies completes the analysis. In those parts where the companies are analysed together the name of the respectively company is written after the persons’ name if not being clarified otherwise.

5.1 The requirements of CSR and Sustainability

CSR versus Sustainability

When it comes to what term to use to label ABB’s work, both Anders Nordström and Gunnel Wisén see no greater difference of the two, which agrees with what Bondy et al., (2006) say about that the terms can be used interchangeably. Noel Morrin, in Skanska, sees the difference of the two being of political nature, as discussed by Crane et al. (2006). Crane et al. (2006) argue that the opposition against CSR comes from the political issues often included in the complex social part of the corporate social responsibility concept. Skanska avoids this complexity by naming what they do Sustainability. Sustainability is for the company to be sustainable in the long-run and that is what Hans Wallström (Skanska) means when saying that all three aspects need to be included in order to create a sustainable business. CSR from his point of view is just about doing more then delivering money to shareholders. Skanska had their initial contact with the sustainability concept through environmental questions and it is in more recent years that all three aspects of environmental, social and economical issues have been included. ABB also had their first contact with sustainability issues through the establishment of an environmental affairs organisation and an environmental advisory board. As the first experience for both ABB and Skanska of taking wider responsibilities came through the environmental issues the concept of Sustainability may lie closer at hand than CSR which goes in line with what Crane et al. (2006) says about sustainability having a background in environmental management.

What needs to be structured

To assess what it is that should be structured the core characteristics of Sustainability, provides important considerations. The characteristics that Crane et al. (2008) and Werther & Chandler (2006) bring forth are that Sustainability is; voluntary, about managing externalities, multiple stakeholder orientation and, alignment of social and economic responsibilities, practices and values.

When it comes to being voluntary, many of the activities linked to the Sustainability work are voluntary both at ABB and Skanska. Two perfect examples of Skanska’s voluntary activities is to build buildings that qualify for the EU Green Building nomination and how they in
Norway chose to go beyond what was decided by the Norwegian government. Another way of how the sustainability work in Skanska is voluntary can be seen in how Ulf Jonsson on his own initiative attempts to bring environmental friendly design to Sweden. The voluntary approach means that innovations like such environmental friendly designs, knowledge and the mindset needs to be allowed a way to be spread in the organisation, to not end up at one single business unit. This in comparisons to regulated activities where spreading would take place as a natural consequence of such regulations. For ABB a good example of their voluntary activities is the bus that takes the employees to work while also functioning as a school bus for the local children. To be able to take this sort of voluntary actions a local presence is required where the people at location have the authority to make decisions. The decision of picking up and bringing children to school might not in itself be seen as a major decision that would meet any resistant. But it is not about the decision in itself but rather about what Middleton (in Brown, 2005) brings forth when saying that sustainability needs creativity and innovative thinking among the employees. That means that the Sustainability work needs to be structured so the creativity within these questions is found in the employees working outside the headquarters. Anton Lind (ABB) further brings up something that can be linked to what Crane et al. (2005) mention about the criticism towards the voluntary characteristic, namely that the behaviour should be regulated. If being regulated the same rules would apply independent on the local conditions and the regulations would be set according to what is actually doable in all places, hence not utilising the improved technology present in more developed countries. This is related to Anton Lind’s (ABB) discussion concerning the importance of voluntary self-regulations relevant to the business being based on local conditions and available resources. Thereby the authors view is that, a certain voluntary characteristic of the Sustainability work is there to stay.

Both ABB and Skanska work actively with trying to reduce their environmental impact on both large and small-scale level where managing externalities is an important aspect. Sustainability is an area of constant evolvement where the goals are, as Hans Wallström (Skanska) said, always pushed forward. Both what you want to do as well as what you have to do is changing with technical improvement, ecological finiteness and increased awareness. ABB has established a list of prohibited and restricted materials as a way for them to managing externalities when bringing their products to the market. The list is provided by the central level and is then further expanded and made more relevant on a local level closer to the actual manufacturing. Anders Nordström (ABB) states that Sustainability work is mostly relevant on a country level, largely due to national regulations and other conditions. Adding to the need of local responsiveness, Anton Lind (ABB) says that previously guidelines were implemented as they were given from above, and how such implementation did not work that well. Rather own guidelines should be built upon the ones given from a central level, which makes the work locally relevant and to have a better effect. Managing externalities is also what Skanska is doing when including animal tunnels in the building of the highway in Poland. This way, the negative impact that the highway has on the biodiversity is reduced. This proactive approach can be related to what Crane et al. (2006) says about how clean technologies should be used to prevent pollution in the first place. Though in this case it is not clean technologies but animal tunnels and it is not pollution but biodiversity. To mange externalities in the way done by these two companies are to see where the actual difference can be made, however such evaluation can only be made properly by the people holding the needed competence, whether it may be competence within Sustainability or in the business processes. In ABB the list of prohibited and restricted materials is not a result from decentralisation and independent work, but rather to be efficient the initial work should be made at a central level and then
communicated out to the business units where it then should be adjusted. The way it works in Skanska is a bit different, due to the fact, as Noel Morrin (Skanska) states that the projects changes with such a high speed. Therefore managing for externalities is not doable in the same way as it can be achieved at ABB, as the environment where these externalities creates problem constantly changes. As the projects are so changeable managing externalities in Skanska’s case calls for more of a case-to-case handling than what it does in ABB. To allow for such case-to-case handling, a large extent of employee participation is beneficial as it according to Herzberg (2003) provides motivation to work towards a Sustainable business.

The multiple stakeholder orientation held by both ABB and Skanska can be seen in company documents. ABB has policies regarding various issues such as Human rights, Health & Safety and Environmental all related to their stakeholders. With these policies ABB is working towards a safer working place, suppliers not violating human rights, and minimizing the environmental impact at the same time as making profit. Hence aligning social and economic responsibilities while holding a multiple stakeholder orientation. The same holds for Skanska and can be seen through their 5 zero vision, where zero loss making projects and zero accidents are two of the visions. It is important to create a safe work place for the employees at the same time it is important to have zero loss making projects. Noel Morrin (Skanska) also says that large profit created on bad environmental performance is not considered good practice, it is instead about the balance between economic, environmental and social aspects as discussed by Crane et al. (2008). A clear example of this balance act is when Skanska chose go the extra mile to meet the demands from the Norwegian NGOs instead of simply following what the government had said, which would have lowered the costs of that project. To be able to know what the customer wants, what the employees wants and what the investor wants all parts of the business needs to work with these aspects, i.e. HR will bring the employee perspective, purchase the supplier perspective, sales the customer perspective and so on.

Sustainability is not about a single strategy as the whole organisation has an impact on the society, therefore sustainability is about business practices as well as the values allowing for these practices to be performed. The guiding given is broad and allows for different interpretations, calling for the need of employees with the right values and ability to prioritize. Anders Nordström (ABB) points at how the culture should be a moral compass to guide the employee in the right direction i.e. towards the Sustainability thinking combined with practicability. In ABB an example of the ability to be able to prioritise can be seen in how, on the site in South Africa where the production is to be moved from shortly, the Sustainability goal of energy reduction is not followed as judged unjustifiable as after the relocation the goals will be reached more cost efficiently. This calls for certain standards to be reached and a culture that expresses a focus on Sustainability, requiring a certain level of unity.

Why engage in Sustainability work

When talking about why companies should engaging in CSR work some internal and external factors have been identified as driving forces (Reinhardt in Harvard Business review, 2007; Werther & Chandler, 2006; Jackson in Brown, 2005; Löhman & Steinholz, 2003; Magretta in Harvard Business review, 2000) When looking at these drivers, the ones that seems to be most emphasised in both ABB and Skanska are the employee perspective and the ecological sustainability. The globalisation driver is not seen in the way that it is described by
Werther & Chandler (2006) it can be seen as influencing the structure of Sustainability rather than to be a driver for the Sustainability work itself. According to Werther & Chandler (2006) globalisation decreases the feeling of an immediate community, to make Sustainability work relevant and to achieve proactive employees this feeling needs to be strengthen.

When it comes to the employee perspective both companies emphasised that especially the younger generation place high value at working for a company engaged in activities making their business sustainable. It is a way of creating motivation beyond the financial reward as said by Löhman & Steinholz (2003). The employee perspective creates the demand of communicate sustainability values out to the employees and the public. The need to show what the company does is what Jackson (in Brown, 2005) brings up. The employee perspective creates a pressure for the company to include Sustainability into the strategic agenda, whereby what is done can also be measured and shown. This can be seen in how Noel Morrin (Skanska) says that more indicators are being put in place and that Hans Wallström (Skanska) welcomes the common policy as it points to what to work towards. To be able to do so, a system for reporting and compiling the information from all units and countries needs to be set up. The more indicators and reporting work the more bureaucracy, stated by Noel Morrin (Skanska), so it is about finding the golden middle line. Another aspect related to employee motivation is that motivated workers are a repeatedly stated success factor for the sustainability work. Or, as Ulf Jonsson (Skanska) says, motivated employees create a good circle. Here any of the interviewees could have been quoted and the same bottom line statement as the one given by Ulf Jonsson (Skanska) would have been given. Motivated employees is very important, and its importance increases the more decentralised the organisation gets, however, according to Herzberg (2003), motivation increases with responsibility, which is most to be higher in a decentralised organisation. Another important aspect of how employees are motivated is the rewards, which can be either extrinsic or intrinsic (Borzaga et al., 2006). Skanska uses both and the business units have the freedom themselves to choose dependent on what is culturally most appropriate.

The other influential driver that can be identified in both companies is the ecological Sustainability. The aspect of ecological Sustainability has been given attention partly thanks to an increase in affluence, which drives changes in social expectations (Werther & Chandler, 2006). ABB puts a lot of effort into their work with energy efficiency and tries to reduce both the energy needed to produce their products but also make their product offering more energy efficient. This work can be seen as a response to the ecological Sustainability driver pushing for more efficient use of resources. Ecological Sustainability also changes what is acceptable by the society. Today it is not acceptable to put human needs first without even considering the impact on the surroundings, therefore the need of including the animal tunnels in Skanska’s construction of the Polish highway can be seen as a response to the demand and will of society to protect the biodiversity. Anders Nordström (ABB) says that the reason to their sustainability work is primarily their own needs but another driving factor in their work is the pressure from society. Where Anton Lind (ABB) says that the focus of their customers is still on the environmental requirements. To be able to answer to the ecological sustainability driver, people in the organisation needs to work proactive in how to fully utilize their resources, this is also a call for an allowed creativity and innovation in the organisation.

These drivers result in arguments for ABB and Skanska to engage in Sustainability work. Starting with the rational argument, some of the aspects were brought forward by the
interviewees, while others were not which has its logical explanation. The rational argument as presented by Jackson (in Brown, 2005) argues that the reason to engage in CSR work is to avoid boycotts and sanctions. These consequences were not mentioned during the interviews, a probable result of the industry in which ABB and Skanska are active in combined with their commitment to and experience of sustainability work. Boycotts are more likely to be directed towards companies focused on serving end consumers. The proactive approach that can be seen in both ABB and Skanska makes them focus more on and mentioning the opportunities rather than the threats, which are most likely to be under a certain degree of control. This can be seen in how Gunnel Wisén (ABB) says that it all started as a way to handle risk. Even though risk handling is a very much ongoing and evolving work, the risks failed to take into account are bound to become less with experience and tools put in place. Skanska’s geo-thermal piles and EU Green Buildings and ABB’s extensive commitment to create products with lower energy usage are possible ways of how to make sustainability a business opportunity beyond the fact of doing good. That is, sustainability means an opportunity for companies taking an offensive approach as said by Werther & Chandler (2006) but a threat for the ones ignoring it and for those failing to fully implement it. The rational argument of setting standards and spreading good practice can be seen in Skanska. One of Noel Morrin’s (Skanska) main arguments of why having such comprehensive sustainability work is the possibility to spread good practice. Jackson (in Brown, 2005) argues how a company through setting standards can impose costs on its competitors. The setting of standard and spreading of good practice are not discussed in the same way by Noel Morrin (Skanska) as by Jackson, but are likely to have a similar outcome. The requirements for the rational arguments are close to the same as the requirements discussed as requirement arising due to the fact that sustainability is voluntary and about managing externalities, namely expertise and knowledge sharing combined with creativity.

The economical argument's main point is that corporations of today have an economic self-interest in pursuing CSR. Anders Nordström (ABB) said the reason that ABB has such extensive sustainability work is to fulfill their own needs, i.e. ABB has an economic self-interest in pursuing the sustainability work. The economic self-interest can be seen in how an increasing proportion of ABB’s revenues can be traced to their ability to lower customers’ energy consumption. ABB’s products energy efficiency saves the environment at the same time as costs for the customers, which the employees, especially sales personnel, need to be informed and educated about. Economic self-interest are also seen in cost savings, enabled through the increased usage of telephone conferences in ABB which saves money, time and the environment and is not to hard to accomplish. What is however difficult is to be able to assess how to utilize the material better, which calls for people that know then production process very well, knows the material well and knows how to distinguish the bad material from the good, i.e. combined knowledge and expertise. These are examples of internal economic arguments where an example of external economic self-interest combined with the moral aspect can be seen in the reasoning of Anton Lind (ABB) when it comes to the Chinese suppliers. Anton Lind (ABB) means that education should not just take place within ABB as it is important to spread the good practices in regards to their newer suppliers in China that need to be educated on the issues of social responsible behaviour. It is important to keep a flexible mindset as when business changes what needs to be done also changes. The adjustability is very important for the work of the sustainability organisation as it is, as Gunnel Wisén (ABB) says, active in an environment where there is a larger need to be flexible in comparison to the rest of ABB, in order to be able to respond to changes.
To close up the requirements, Middleton (in Brown, 2005) discusses the importance if Sustainability being implemented in a way that differs compared to other changes in routines. Middleton argues that the way to do it is to take the people, place and purpose into account. In companies like ABB and Skanska that are bound to be people that are interested in Sustainability and the ones that are less interested. However, the authors’ experiences from their interviews are that the people met are passionate people with a strong drive towards sustainability and a belief in their management. If looking at Anton Lind (ABB) and Ulf Jonsson (Skanska) with consideration given to where they are placed in the organisation, they are both very motivated and conduct a proactive work where they themselves search for ways in how to create a more sustainable business. Ulf Jonsson (Skanska) does it all on his own initiatives, whereas Anton Lind (ABB) has got that responsibility through his position. As Sustainability is about constantly revising the work (Werther & Chandler, 2006) such proactive work by all employees is beneficial. This is in a way confirmed by Anton Lind (ABB) who said that now the customers have their focuses on environmental issues but the social aspects receives an increasing attention, where the focus then will have to be changed. It is also practically impossible to achieve a business that is perfectly sustainable in all ways, therefore the work needs to be under constant improvement, which require such pro-active employees that is found in the people being interviewed. However, not everyone can be as pro-active, what is needed is a willingness to contribute. This can be seen from the business unit developments projects in ABB, which involves everyone in the organisation and are concentrated on smaller everyday issues. People as said by Middleton (in brown, 2005) also includes management, where a full commitment needs to be felt all the way down in the organisation, confirmed by all interviewees. The commitment by the management is another success factor in addition to motivated employees that are mentioned by the interviewees. According to Middleton (in Brown, 2005) consideration also needs to be given to where Sustainability is to be accomplished, which for both ABB and Skanska is everywhere at any time, simple as that. Finally, the purpose of it all is to by combining the aspects of economical, social and environmental issues create a sustainable business and as Taylor in Brown (2005) said, to do it well!

How the two companies argue for their extensive Sustainability work, gives a picture of a management that understands that such proactive approach will yield benefits covering more than the aspects of doing good. Thereby both ABB and Skansa have an offensive approach rather then a defensive approach (Werther & Chandler, 2006). The offensive versus the defensive approach issue will not be given more attention as a company having a defensive approach would not qualify in the selection of cases for this study.
Below an organisational chart are to be found where the different requirements to be met are again stated.

![Organisational Chart](chart.png)

Figure 8 The ultimate CSR organisation (Own creation and note that the authors do not intend to rank the different requirements)

## 5.2 The organisation

In the section above the authors have gone through Sustainability work as described in theory and what is brought up in the empirical part. This enabled a highlighting of the requirements that needs to be kept in mind when discussing the structural aspects.

### Centralization and Decentralization

Decentralisation and centralization refers to where in the organisation the decision-making takes place and who is involved in the process of reaching that decision (Hatch, 2006).

**ABB** as a whole has gone from a highly decentralised organisation to a more centralised organisation implying that decision making have been moved from further out in the organisation to higher levels. This has of course affected the Sustainability organisation, where the centralisation according to Bakka et al. (2001) gives an overview of the work, allowing for a more unified form of the Sustainability work. The centralisation further provides the employees with central guidelines and a feeling of how the prioritizing between the aspects, stakeholders and activities should be done. However, a centralised organisation does not assist in allowing for the local responsiveness, which is a very important aspect of the Sustainability work. For ABB one can notice that a certain and important decentralisation characteristic is present. Gunnel Wisén and Anders Nordström confirm this by saying how goals and directives given from above are broadly defined, where the decentralisation lies in the implementation and the creation of local relevant goals and directives. In a decentralised organisation, the people closest to the activity take the decisions, allowing for local responsiveness (Bakka et al., 2001). For ABB that is seen in how the Country Sustainability Controller and the Local Sustainability Officer are the ones implementing the directives as they hold the needed competence concerning local conditions. Thereby, for ABB to keep a decentralisation characteristic in the Sustainability
work is important. Both Hatch (2006) and Bakka et al. (2001) agrees that an organisation can be both centralised and decentralised where for example the strategic decisions may be centralised and more hands-on work related questions are decentralised and that fits the picture very well of the relation between ABB as a whole and the organisation around the Sustainability work. The work within the Sustainability organisation is relatively decentralised with a high degree of local influence. However, to be able to function within the larger centralised organisation of ABB a full decentralisation is not possible. Therefore when the Country Sustainability Controller and Local Sustainability Officer have formulated their country respectively local goals they have to anchor them with the corresponding executive group.

Skanska on the other hand is an extremely decentralised organisation. According to Noel Morrin, the same structure and culture seen in Skanska are also seen in the Sustainability work as it is close to being completely integrated into the normal functions. Decentralisation are characterised by high employee participation in the decision process (Hatch, 2006). When it comes to sustainability questions the actual final decisions might be taken at a high level but before reaching that level many people in the organisation have been involved and participated during the process leading to the final result. Furthermore these decisions and the corresponding documents and guidelines are very broad and allows for different types of interpretations and goals to be made at business unit level as well as project level. In Skanska such decentralisation is needed in the Sustainability work, as the requirement is to allow for case-to-case handling. Noel Morrin further says that it is the people in the lines are responsible for making the implementation. Therefore, before the activity or strategy is implemented several more decisions need to be taken and these are taken on a lower level, a characteristic for a decentralised organisation. Bakka et al. (2001) states the advantage of a decentralised organisation to be the motivation that it gives the employees resulting in the willingness to comply with the agreed upon goals. Noel Morrin and Hans Wallström both state that a high level of commitment is reached as a result from the participation of the employees in the process of formulating documents and especially the Code of Conduct. However, there are also drawbacks with decentralisation when it comes to the Sustainability work, exemplified by what Hans Wallström says about having the same goals. The way that Sustainability functions in Skanska, through distributing the different aspects of the work to the people at the appropriate function, can make it hard to reach a unified picture for the Sustainability work. Hans Wallström’s line of reasoning is consistent with what is stated by Bolster (2007) who means that employees require a certain amount of directives and instructions in order to function well. For this Hans Wallström says that he finds Skanska to have, with regards to the Sustainability work, moved towards a structure that has certain characteristics of centralisation. This is largely based on that now the whole group report according to the same key indicators and more general rules are put in place. Some more roles are also being formed with associated responsibilities, such as line managers being responsible for training and education regarding sustainability issues. Hans Wallström welcomes this as it enables for one of the advantages by having a centralised organisation to be reaped, namely the coordination and directions provided. The move towards a more centralised purchase function is hoped to bring the benefits from coordination too, as further strength can be put on reaching international initiatives.

**Formalisation**

If emphasis is placed on rules, directives, written documents and guidelines an organisation is seen as having a high degree of formalisation. This formalisation is put in contrast to
informal relationships and communication in order to achieve integration (Perrow in Bakka et al. 2001; Hatch 2006).

The Sustainability work in ABB relies heavily on the aspects of formalisation and it is seen as a necessity for a company of their size and within their industry. The written policies, job descriptions and directives are always present but can be quite general from the top management as they then are meant to be altered to fit the reality of the different functions and departments better. This vagueness helps to avoid the rigidity and the risk of a decrease in employee freedom that high formalisation otherwise can be associated to (Bakka et al., 2001; Hatch 2006). This high level of formalisation allows for a unified work to be accomplished. And according to Anders Nordström, employees are motivated by ambitious goals towards a more sustainable business, this is further inline with what Bolster (2007) argues when saying that motivation is born out of giving a clear direction.

In ABB’s Sustainability organisation reporting are made in two directions, both country and Sustainability function wise. A too high level of formalisation would then be time consuming and share the negative aspect of bureaucracy, this is however not mentioned by Anton Lind. The Sustainability reporting according to GRI allows ABB to measure its performance regarding to Sustainability issues. This allows for performance of the different countries and the different units to be measured according to CSR compliance.

The Code of Conduct in ABB is a 24 pages long document, and should with that fall into a rule based Code of Conduct i.e. the more detailed ones. The problem with such detailed Code of Conduct is brought up by Crane et al. (2008) and is said to be the impossibility to include all aspects. This is agreed upon by Anders Nordström, and is addressed by how Sustainability Affairs have their own documents and policies more broadly written. These policies are made general and all embracing, but to implement them in the organisation there are different rules and guidelines that are more made to fit the work of the individual employee. A further critic given to the documents used in companies regarding CSR is that they are not implemented and somewhat over optimistic. For this the plant in South Africa is a good example on how a target that is not judged as financially justifiable is not included as a goal in the documents.

In Skanska there are polices on group level and on the unit level where these policies are then further broken down into goals and routines at a local level. That is the procedure and according to Hans Wallström that is a requirement to be certified according to the ISO system. So far it can be said that there is a high degree of formalization present in the Sustainability work, however, it is not that detailed and visible. The advantage that Perrow (in Bakka et al. 2001) brings forth about that the employees know in which direction to go is a welcomed change in Skanska. Noel Morrin says that additional work is being done identifying more indicators that are to be put in place, and Hans Wallström sees the value of the now shared policies. This company spanning policies are relatively new, hence not fully recognize in the projects yet. Which can be seen as an explanation to Ulf Jonsson’s reasoning when saying that even more coordination is needed. Documents and guidelines in Skanska are broadly defined at the group level, and the people at lower level have a large degree of freedom in how these documents are used. As the Sustainability work is so decentralised one would according to Hatch (2006) expect to find more formalisation to steer the work. However, the work of Sustainability needs to be kept relevant so very strict directives at a central level would not be seen as beneficial. On the other hand there is a need of a certain degree of formalisation, which can also be found in motivational theories about how a clear path needs to be laid ahead (Bolster, 2007).
The Code of Conduct is a 4 pages long document, which makes it a principle base Code of Conduct, i.e. the ones being broad and vague. The critics against principle based Code of Conducts is that they according to Bondy (in Crane et al., 2008) allow for many interpretations and are therefore hard to measure and report after. The vagueness is addressed by how the different business units, have their own environmental, social and Health & Safety policies, based on the Code of Conduct but more detailed and relevant to their particular local conditions. The previously mentioned increased numbers of key indicators put in place addresses the difficulties of measuring and reporting. These indicators acquired through the GRI framework enable for measuring the strategic objectives discussed by Noel Morrin. How Skanska has formulated their own Sustainability Agenda by adjusting the GRI framework, also shows how they have managed to address the critics of the framework as being too general in its attempt to suit all industries. Related to the reporting aspects are also how Skanska manages to turn the issue of what is being done is what is inspected rather than expected to something positive, as what is being inspected is compliance with the 5 zero vision. The likelihood that the 250 managers actively communicate and spread these values increase even further as their bonus depends on Sustainable behaviour. This bonus system goes inline with what Bolster et al. (2007) said is required from a well-functioning bonus system, namely that it should encourage the desired behaviour among key people. These bonuses inspire managers, which will then impose the motivation on the employees working for them, which can be seen in Skanska.

**Standardisation**

Hatch (2006) describes standardisation as the degree of governance over activities through standard procedures. For the ever-changing sustainability work it would be difficult to have a high standardization in general. However, Mintzberg (1983) talks about three different types of standardization where one is the standardization of the result of the work where everyone knows where to end but how to get there is not decided. This could be seen in both companies when it comes to the Sustainability work when considering the goals and directives that comes from top management. They are commonly very broad, for example, all units should be ISO 14001 certified so the goal is known but not the road getting there as that depends on the local conditions.

Standardization is the opposite to individual judgement and case-to-case problem handling (Hatch, 2006). However, when looking at the different standards available for the steering of the sustainability work, these allow for individual judgement and case-to-case problem handling (SIS handbook 168). Skanska as well as ABB are as just mentioned ISO certified, where the management systems are used in order to create some standards on the work. But as Ulf Jonsson (Skanska) together with the rest of the respondents states that the requirements are not very strict, which according to Crane et al. (2008) they are not supposed to be. To achieve a level of the Sustainability work that is approved by ABB and Skanska the standards therefore needs to be worked on further. To be able to add to these standards a certain standard of knowledge could have been expected to be needed, such type of standardisation is however questionable in both companies. There are very competent people but their competences lies in different areas, as explicitly said by Gunnel Wisén (ABB) when describing how the Country Sustainability Controllers complement each other and thereof lies the success. Same thing can be seen in Skanska where Ulf Jonsson (Skanska) are involved in the Sustainability work due to his competence in material handling and drive. The degree of standardization that the authors can see in these companies is therefore not the standardization mentioned by Hatch (2006) and should not
be, as Sustainability is an area of constant evolution where the goal are as Hans Wallström (Skanska) said always pushed forward. This is an area where both what could be done as well as what should be done is changing with technical improvement, ecological finiteness and increased awareness. What on the other hand can be standardised is the including of economical, social and environmental aspects in everything that is done. The non-suitability of standardisation can be seen in how Noel Morrin (Skanska) states that how policies and directives are acted upon differ according to place and project and Anders Nordström (ABB) says that there is a large degree of freedom with the right judgement.

Differentiation and Specialization

Lawrence & Lorsch (1986) argues that for a company to be able to respond to its external environment it is split into departments that individually react to changes in the environment. This is referred to as differentiation, vertical and horizontal.

Vertical differentiation is to the degree that there are many layers in the hierarchy (Hatch, 2006). This is quite extensive for ABB as a whole and the sustainability organisation too leading to the work being more controlled where too much control would not be ultimate with Sustainability requirements in mind. Horizontal differentiation is to the extent that an organisation has many departments on a horizontal level and is related to specialisation, where specialisation can be made on group level and on individual level (Jacobsen & Thorsvik, 1999). On the group level, the Sustainability organisation in ABB is a result of a specialisation according to function. Differentiation according to function does according to Bakka et al. (2005) allow for expertise, a possibility to build up problem solving and is therefore an answer to how there should be a core team responsible for the overall Sustainability work. The Sustainability organisation is then differentiated according to geographic regions, responding to the requirement of local presence. According to Feist et al. (1999) the greater the need for local responsiveness the greater the benefits of specialising according to the geographic region. This according to Feist et al. (1999) also gives the country managers a greater level of decision-making. The two differentiations together creates something similar to a matrix organisation (Granström, 1999) giving a local presence while also keeping a central control. This however brings in the complexity of reporting to two bosses, which can be seen in how Anton Lind works within two structures of authority, both local management and sustainability management (Nadler & Tushman, 1996).

When Hatch (2006) talks about individual specialisation she brings forth the aspect of dividing responsibilities and work into very narrow and well-defines tasks. In ABB’s Sustainability work, specialisation on individual level can only be seen in how Anton Lind is specialised in environmental questions at ABB HVDC. This, however, is a very broad specialisation and would be more about the specialisation of skills and competence. When needed Anton Lind compliments his own skills, such as when counselling and working in close cooperation with the chemical coordinator. This places extra pressure on the requirement of how the Sustainability work needs to be a result of combined work, being discussed under integration. Confirming the low degree of specialisation can be made by Jacobsen & Thorsvik’s (2002) argument that high degrees of specialisation often lead to monotonous and repetitive work creating unsatisfied employees and Anton Lind gave the impression of being all but unsatisfied.
The Sustainability work on a group level is, as said by Noel Morrin, grafted onto the particular functions, i.e. Human Resources work with the question of diversity in the work force. As the Sustainability work is completely integrated into the work it follows how the Skanska group as a whole is diversified. On a group level the Sustainability work is specialised first by the product/service to be performed as with the differentiation of Construction in relation to Commercial Development. If the businesses areas are geographically wide spread further differentiation is made according to geographical area such as with construction where units can be found in Sweden, UK, the US and so on. After that, the function approach comes into play and the Sustainability work is further specialised into the different functions. Such approach divides according to the purpose of the task combined with the underlying knowledge and technical skills needed to perform the task (Bakka et al., 2001). That is confirmed by Noel Morrin when saying that each of the Sustainability agendas have been given the appropriate functional champion with the possibility to carry out the work. Such differentiation means that first the requirement for a core group is met and also the way that all parts of the business in terms of functions are included. This way of differencing allows for all the possible benefits that have been brought up in terms of local responsiveness and utilizing resources. However, it does as brought up under the decentralisation aspect makes it harder to create a unified picture. Another aspect that needs to be addressed when having a differentiation made after function is according to Bakka et al. (2005) the difficulty of assessing each individual functions responsibility. The contribution made by each function therefore needs to be show and separately measured. This is discussed further under the formalization part. When it comes to specialisation on individual level the same holds for Skanska’s sustainability work as for ABB, where there is little specialisation to be found. That is not a substantial individual specialisation according to Hatch (2006) and Jacobsen & Thorsvik (2002).

Integration
Integration is a challenging task, and is accomplished through direct contact and rules and regulations. Direct contact can be both formal, in the form of vertical instructions and informal, in the form of networks and cross-functional teams (Mintzberg, 1983; Hatch, 2006).

ABB is a large and complex organisation where the different activities performed by different departments and business units need to be coordinated and integrated. The Sustainability organisation is coordinated by formal rules and regulations such as the use of positions with associated responsibilities and reporting lines, discussed under formalization. Integration in ABB is also achieved through a variety of networks and cross-functional teams. The importance of cross-functional teams in an organisation such as ABB, where the overlying Sustainability work mainly takes place within a defined Sustainability organisation is high. This due to the fact that the Sustainability organisation cannot know everything so to be able to create relevant guidelines and practices they need to work in close cooperation with other departments. Further, to enable a proper implementation of the Sustainability practices, different departments having shared goals need to come together to create the best outcome. This can be seen when Gunnel Wisén states how the group going through logistics and transport from an environmental perspective, consist of people possessing expertise concerning environmental issues and people from purchasing, who purchase the transports. This way expertise and experiences are combined, as Nadler
& Tushman (1996) argue to be one of the advantages of having cross-functional teams. Not all teams are strictly cross-functional sometimes it is teams gathered from different geographical areas working within the Sustainability organisation. These teams are important as different Country Sustainability Controllers have different background the communication between different departments becomes very important to share expertise. This to be able to meet challenges and communicate the results and the acquired knowledge. Working in networks also enable for direct communication between employees (Mintzberg, 1983) and this opportunity for direct communication is highly appreciated as in the everyday work the for example Local Sustainability Officers are placed on different locations. These networks allow for discussions, idea exchanges, advices being given and received and good practice being shared. Such Network allows for creativity, as when different ideas and experiences are shared and combined new creative solutions and ideas can be fostered. The networking that takes place at these team gatherings is the positive side effect like Galbraight (2002) talks about where valuable relationships are built. These valuable relationships can be seen in the close work between Gunnel Wisén and her working group and the Communication department.

Jacobsen & Torsvall (1999) and Mintzberg (1983) talks about the direct supervision where responsibilities of coordinating and monitor the work is linked to the hierarchy of positions. Even though there is a hierarchy within the sustainability work at ABB, still no clear instructions are given from the higher levels, it is rather goals and general guidelines where it is up to the responsible person further down in the organisation to decide how to accomplish them. As long as results and improvements can be seen and are going in the same direction as the company wants to go, the monitoring is fairly relaxed. As can be seen from the requirement that every local site should be visited by a Country Sustainability Controller, but not necessary more regularly than once every third year.

Coordination of the Sustainability work in Skanska is achieved through networks and to an increasing extent written policies and rules. The networks are there to share good practice and give inspiration, while the policies and rules guide behaviour. In Skanska there are several networks, an example is the “hazardous material” meeting for the different business units. This meeting is about providing information and opening up for a discussion regarding how to work with material handling and what that is applicable to the projects. These network meetings are most likely to have a positive side effect on the networking possibilities. Network meetings can be looked upon as workshops where decision-makers acquire knowledge and are provided training at the same time as it allows for communication between people not seated at the same location. That leads to people being able to put names to faces and when they then are back at their different locations they can make use of the created virtual network. Such networking is extremely important at Skanska where the work to large extent is decentralised and there are less rules. A further positive side effect of the networking as discussed by Galbraith (2000) is that it allows for people to get to know each other, thereby creating the line of informal communication stressed by Feist et al. (1999). Informal lines of communication is something that Feist et al. (1999) argues to be of special importance in multinational companies, when knowledge regarding complex issues are to be developed and spread. Informal communication is a practice that can be seen in the Sustainability teams many visits out in the different business units and construction sites to make sure suitable policies are created. There is another benefit resulting from these visits and that is that the message is spreading as networking

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7 The meeting is to be held on May 21, 2008.
and informal communicating bring people together, like Ulf Jonsson and the project leader in England responsible for the geo-thermal piles. These informal lines are created in Skanska and is contingent on the drive and passion found in the people. The last aspect of integration is rules and common guidelines, their importance in Skanska are stressed by both Ulf Jonsson and Hans Wallström but have been discussed.

ABB’s Sustainability structure

The picture forming itself of ABB’s Sustainability work has resemblances to a mechanic type of structuring, however, with a few elements giving it an organic touch.

The Sustainability Affairs itself does not possess a high level of decision authority, and is as Anders Nordström says a supportive function. One finds a centralisation, where directives and goals are formulated with little influence or participation from lower levels in the organisation. The centralisation starts above the Sustainability Affairs, i.e. the Sustainability Affairs themselves are not the ones deciding on the initial goals and directives. This centralisation then continues down in the Sustainability organisation where the many directives and regulations are given from above, indicating a mechanic structure (Hatch, 2006). Hatch (2006) further state that in a mechanic structure there is a high degree of formalisation, which can be seen in the Sustainability organisation. There are polices for all the different aspects of Sustainability and these polices can be found on all different levels in the hierarchy. There are job descriptions, which outline the responsibilities and a Sustainability organisation chart where one can acquire a clear picture of how the work is distributed in the organisation. The characteristic of this formalisation that does not match a mechanic structure is that these policies, guidelines and job description are all very broad.

A highly mechanic structure does usually have more detailed documents with less freedom associated to them compared to what can be found regarding the Sustainability work. The documents are rather formulated with the aim of giving the users a level of freedom in how to implement and use them. This allows the one closest to the activity to indeed make decisions relevant to that particular location. The freedom and broadness associated to the policies and directives, combined with a committed management enables the Sustainability organisation to avoid such negative aspects of centralisation. So, the Sustainability organisation is characterised with a certain decentralisation present.

The Sustainability organisation is rather small but there are still several layers in the hierarchy indicating on the vertical differentiation often found in mechanic structures. The reporting line is to the person sitting one level up in the organisation, which can be seen in how Anton Lind reports to Gunnel Wisén but also to his local manager, a further sign on a mechanic structure. That Anton Lind also reports to the local management does not make it more of a mechanic structure, what it does however is that it creates a more complicated organisation (Nadler & Tushman, 1996).

What is not to be found in the Sustainability work is that the work processes are standardised, which, according to (Granström, 1999) most often are found in a mechanic structure. There are standards present, taking the form of management systems, but these standards only brings forth what to include and to work according to. As a standard, that would not be what Granström (1999) implies when stating that a high level of standardisation is found in a mechanic structure. This is further shown in the non-existence of the well-delimited tasks that Jacobsen & Thorsvik (2002) argue should be found in a mechanic structure. With low standardisation it is difficult to create well-delimited tasks for the employees.
There are also ways of integrating the different business units and countries that does not fit well with the mechanic structure. Even if the integration part is mainly a result of formalisation, there is also a large extent of informal communication. The Country Sustainability Controllers are to evaluate each site once every third year, and even if the evaluation itself is a consequence of formality it has the side effect of creating informal lines of communication. There are furthermore the networks, which encourage employees to consult each other and to spread best practice on a horizontal level, and most important is the presence of cross-functional teams. In a mechanic structure according to Hatch (2006) there would be more of a unit-to-management-to-unit communication, with less informal communication to found. Finally, after seeing the ways of communication, turning focus to what is being communicated in the Sustainability work similarities with the organic communication can be seen, i.e. it is rather about consulting than detailed instructions.

This structure of the Sustainability organisation in ABB has its mechanic characteristics, as ABB in large is active in a relatively stable industry, and the organic characteristics as a respond to some of the requirements of Sustainability that would not be met in a highly mechanic structure.

Skanska’s Sustainability structure

The structure of the Sustainability work in Skanska is a bit more difficult to understand and describe. Skanska is a very decentralised organisation that constantly changes its form, and as the Sustainability work is integrated to such large extent, it gives it a form hard to define. But even though Skanska has a very organic structure, looking at the Sustainability work there seems to be a tendency toward a little less organic structure.

Many of the decisions regarding the Sustainability work are taken further out in the organisation, indicating on a decentralised decision-making and according to Hatch (2006) an organic structure. The responsibility to include the economical, social and environmental aspects is to a large extent placed on the line managers, who have then been influenced and advised by the people holding more central positions. The line managers have further been educated to be able to take the right decisions regarding the Sustainability aspects. However, the increasing numbers of indicators put in place and the soon to be more centralised purchasing indicate on work becoming a bit more centralised.

In an organic structure the responsibilities and roles are redefined over time depending on situation, this can be seen as the projects are constantly changing and suitable persons are put together (Granström, 1999). There is a small tendency where individuals are given more permanent responsibilities where some line managers are allocated the responsible for education and competence.

An organic structure use formalisation to a smaller extent than a more mechanic structure, meaning that the use of company wide goals and policies are seen to a lesser extent. However, in the Sustainability work there is an increasing use of formalisation, where goals and policies are formulated at a central level. The reporting indicators decided on a central level and imposed onto the projects and business units is a control mechanism not commonly found in a highly organic structure. These documents are however kept very broad and reporting indicators should only be the most important ones, to avoid losing the very important organic characteristics. The organic structure allows for innovation and is thus more suitable and beneficial when used in a changing environment with high requirement on adapting to the surroundings (Hatch, 2006). Both the business of Skanska
and the Sustainability work have requirements of being able to adapt to changing surroundings. There is therefore a low level of standardisation found in the Sustainability work besides the use of management systems. That aligns with how Granström (1999) says that in an organic structure employees are given the freedom to decide on how to reach the end as long as they do with the given set of resources.

Communication of the Sustainability work is to a large extent about informal direct communication. The communication often take the form of counselling, where it is most likely the one from a lower level calling to a central level for advice, and not the central level calling to give instructions. This according to Hatch (2006) implies an organic type of communication. This way of communication is crucial for the Sustainability work as it, in such decentralised organisation, is a mean to inspire and influence the employees in the wished direction. The Sustainability work is globally communicated through the informal connections between the people working at different places. In an organic structure management focuses more on integration than in telling what and how to do, therefore a high responsibility is put on the individuals as a group where the work requires a great deal of cooperation (Granström, 1999). This is seen in the Sustainability work, however with a certain adjustments making it a bit more mechanistic. The Sustainability group are the ones that formulate the policies and they spend extensive time out on the projects, this to make sure that polices they have created make sense. By doing this the Sustainability team acquire experience that can be spread to other parts of the organisation, and employees working at the different business units are also encouraged to network and spread expertise and experiences. A perfect example to show what the authors mean is how Ulf Jonsson was inspired by Noel Morrin, and further made contact with a project manager in England to learn from his experiences.

This structure of the Sustainability work in Skanska has its organic characteristics, as Skanska is active in an industry under constant change, and the less organic characteristics as a respond to some of the requirements of Sustainability that would not be met in a highly organic way of structuring.
6 End Remarks

“There are two kinds of people, those who finish what they start and so on…”

- Robert Byrne

In this final section, answers to the research questions are given and the applicability of the proposition is stated. This is achieved by presenting conclusive thoughts resulting from the analysis. The first part of the conclusion deals with the first two research questions whereas the last research question is answered two by bringing forth the proposition. At last, recommended readings are provided in addition to suggestions on relevant and interesting further studies.

6.1 Conclusion

The reasons to why companies should engage in CSR are many and ranges from the self-interest of cost saving to the altruistic wishing to give back to society. CSR done in the right way generates profit and governs the company’s survival at the same time as being beneficial for the society. Thereby CSR is to enable for a wider perspective of how to conduct business, where the company creates a business opportunity through considering the social and environmental consequences that the business inflict on society. As can be understood, there is not one single well-defined goal or objective that can be said to be the one for CSR. The aim is rather to be able to assess the business impact on the society and from that standpoint create a way to handle those impacts. The bottom line is for the company to find where it can actually make a difference in its way of generating profit for itself, its shareholders and the society in large.

The structural arrangements of CSR need to be so that the employee has known goals to work towards. The employee should know what is required when it comes to the CSR aspects, i.e. he/she needs to know what important considerations to take into account made. When it comes to multinational companies the impact of their business differs with business area and country. Therefore to make the CSR work relevant and to be able to assess where the real impact lies, the structure needs to allow for local responsiveness, a local touch. The employee should therefore be allowed to adjust the work according to local changing conditions. For this a creativity in how to use and combine the local settings and the possessed resources should be encourage and not hindered by a structural arrangement that produces too tightly steered work. It is also important to create a culture where the employee feels the commitment and support from management for environmental, economical and socially sound initiatives. The creativity and the business processes created at the local unit and country need to be allowed to spread in the organisation, not in the form of detailed instructions but in the form of counselling and sharing of experiences and expertise. Communication should be encouraged to go in all directions in the company as it is also about inspiration and finding that unified feeling of what the company as an entity is striving towards. The structural arrangement needs to have a flexibility to enable for the balance of the CSR aspects to be adjusted according to changing conditions. Last but not least, the structure should encourage standpoints to continuously move forward as it is in practise, not possible to ever be completely done!

To be able to have a unified work where the road of CSR is outlined a certain level of centralisation is required. This does not fully support the authors first proposition where it was said that:
“The structure of the work that best enhances the Sustainability engagement is a structure with decentralised decision-making combined with low level of detailed instructions”.

The proposition is partly rejected as the authors now see a greater need of unity than previously thought. This can be seen in how Skanska, an otherwise very decentralised organisation, for their Sustainability work have more guidelines, policies and indicators to steer and monitor the work. To achieve this unity no extensive centralisation is needed, as it would discourage the employee knowing the local conditions in providing input. To not take advantage of local knowledge would decrease the appropriateness of the goals and the employee motivation needed to fulfill them, as the goals are not seen relevant. This has been addressed in ABB through keeping broad guidelines that give a higher degree of freedom in decision-making regarding the local site, in an otherwise centralised organisation. Support is thereby given to the “low in detailed instruction and guidelines” part of the first proposition.

The challenge of the CSR work is to adjust the normal business processes to make them more sustainable, a good knowledge of the processes and the aspects of CSR is thereby needed. A horizontal differentiation made to enable specialisation on a group level makes the work relevant and facilitates its integration into the normal business practices and functions. The horizontal differentiation should be made to foster local and business area specific expertise, with differentiation dependant on number of business areas and functions. Specialisation on individual level should only be present on a very general basis, where narrowly defined tasks should not be found. This give support to the authors’ second proposition of how:

“...the CSR work should be differentiated on the horizontal level and highly specialized on the group level but not on the individual level.”

Integrating the Sustainability work correctly is important to reach the level of unity stated as desired when partly rejecting the first proposition. This unity is achieved by integration where policies and guidelines constitute a larger part than initially proposed by the authors. These guidelines are not experienced as a way to impose strict instructions and directives, they are rather a welcomed feature aiding the employees in knowing how to and what to include in the normal business processes. So when proposing a CSR work that should be:

“...integrated through the use of cross-functional teams and networks”

only half of it is said. But the authors’ proposition still stands, as the most important aspect of integration is cross-functional teams and networks. Such integration enables a direct contact giving counselling opportunities, best practice spreading and inspiration shared among the employees. To gain experiences and knowledge and to be allowed to communicate these experiences and knowledge to the rest of the organisation is where the crucial part of integration lies.

The second part of the third proposition concern standardisation, where the authors propose the presence of:

“...standardisation according to knowledge”

It is a proposition that needs to be adjusted to fit what needs to be standardised when it comes to CSR. The need of a special competence that can be said to be standardised have not acquired support, as the knowledge and competence possessed by different people in
the organisation should through the above-mentioned networks and cross-functional teams be combined and shared. One could have believed that the end results should be standardised but that is not advisable as the goals should be under continuous improvements. What should be standardised is though the practise of how to include the aspects of CSR when evaluating business performance, disagreeing with the authors’ proposition regarding standardisation.

The proposition regarding an organic vs. mechanic structure where:

“...a structure described as being organic is preferred to a structure referred to as mechanical.”

This proposition needs to be considered in its context, as the Sustainability work should be structured according to two factors; the requirements for the CSR work itself i.e. the consideration to wider performance measurements and to the industry of the company in which the CSR work is to be implemented. As CSR is about being able to assess the impact and to handle the assessed impact, the work is different for each company. An example being how the work in Skanska has to be structured to allow for case-to-case solutions, while the work in ABB has a more stable foundation. The pattern that forms itself during this study is the tendency to draw towards a middle line. The organic structure is not to be preferred to the mechanic structure nor is the mechanic structure to be preferred to the organic structure. The requirements of CSR are best met where these two structures meet. That is seen in how an organic organisation, Skansa, has a Sustainability work being slightly less organic than the overall organisation, and where a more mechanistic organisation, ABB, has a sustainability work being more toward the organic structure than the overall organisation.

The organic structure is there to enables for the very important trait of allowing for continuous improvements and evolving work that takes the local conditions into account. The mechanic structure should be present to allow for the guidelines, directives and responsibilities to be defined to give the crucially wanted unified picture.

6.2 Suggested readings

The GRI framework provides a reading that gives a better understanding of the reasoning behind Sustainability engagement and its reporting. It is a webpage where companies can acquire assistance in how to set up a Sustainability agenda as well as how and what to report.

The authors would also like to encourage the reader to have a closer look into ABB’s and Skanska’s Sustainability reports that present the effort made, where the reader can acquire examples of how Sustainability is done in practice. These two reports give more hands-on examples than what this thesis have provided.

A book that the authors acquired a lot of interesting views and information from is a book put together by Christopher Brown in 2005, *The Sustainable Enterprise – profiting from best practise*. In this book Christopher Brown manages to mix the academic world with the “real world” through gathering articles and texts written by a vast range of different people with different background and experiences of Sustainable development. The reader will acquire information about which of the companies claiming to focus on Sustainable development that are actually serious and does a good job.
This thesis describes and discusses the three areas of sustainable development, but the main focus ended up being on the environmental part. A book that takes up the social part to another extent is the book “Corporate Social Responsibility & International Development – Is Business the solution?” by Michael Hopkins written in 2007. In this book Hopkins discusses how multinational companies can reduce poverty in the world. It provides a good reading especially as a complement to this thesis due to its different focus. Hopkins is fairly critical in some areas, whereby the authors ask the reader to approach the book with an opened mind to create his/her own opinion. It is, as always, all about being critical to the source.

6.3 Suggestions for further studies

The authors of this thesis aimed at looking at how Sustainability work should be structured to help and enhance the effect of the work. They therefore wanted to include two companies active in different industries in an attempt to avoid bias results. This is due to that the structure of the larger organisation is made to respond to a certain industry and its characteristics, and the Sustainability work is not isolated from that overall structure. An interesting further study would therefore be to focus on one company and conduct more interviews in different units, on different levels and in different countries. This would give a clear picture of how Sustainability work is done in a given organisational social structure.

An area that the authors would have wished to go more in-depth in, is the effect that Sustainability practices have on a company culture and why not vice versa? It is interesting, as all the interviewees have mentioned the positive effect that such engagement has on the employees. Furthermore, if looking at Skanska, it seems to be that the culture around the 5 zero vision and the drive of the employees are their biggest success factors. In a company without an encouraging culture and where the importance of being Sustainable in an environmental and social way is not communicated both vertically and horizontally any structure in the world would not help.

As mentioned under the suggested readings section, the authors got a larger emphasis on the environmental part of Sustainability than were initially planned. If the authors were to make one more thesis they would like to focus on the social part, and especially the social part that is being subject to the most criticism. What is it? What does it require? Where are the risks in engaging in and communicating a large social involvement? What is the value of such involvement for the business?

Another study that would be interesting for someone writing within Politics & Economics would be to look into the area of CSR taking care of what governments have failed to do. In this thesis the authors mentioned, backed by scholars, how CSR is a response to governments’ failure in taking care of the consequences of a modern society. The question is; is that a failure or a necessity due to globalisation of companies and the importance for developing countries to be a part of the world trade? This voluntary approach enables for us as consumers to demand a strictly good behaviour from the companies that do have the possibility to do so, while giving others a freer leash until their time has come. This study would then carry out a discussion covering an interesting and highly important corporate and governmental dilemma.
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APPENDIX A

Interview Outline

The first questions will concern your role and sustainability experiences. We will ask questions about how you conduct your work and how the sustainability work is structures in the organisation.

There will be questions regarding how you at x motivate employees towards sustainability. How one can manage to make the employee to take decisions favourable from a sustainability perspective.

We are interested in your code of conduct and other documents. Questions will concern the employee participation in creation of these documents and the level of freedom when using them.

A related issue to how employees are motivated are the measurements and reporting of the sustainability work. We know that you use the GRI to a large extent and have some questions regarding this.

Our focus in this thesis is questions related to organisational structure, whereby we have some questions on this, both for the organisation as a whole and for the sustainability work. Here we will talk about issues such as communication, hierarchy, authority, decentralisation and integration.

Upplägg för intervju (as sent to three of the interviewees)

De första frågorna kommer beröra din roll och erfarenheter, vi kommer att fråga om hur ditt arbete ser ut och hur Hållbarhetsarbetet är strukturerat.

Vi kommer att prata om hur man på x motiverar sina anställda inom Hållbar Utveckling. Vidare också hur man kan få anställda att på egen hand ta beslut som gynnar miljön.

Vi är intresserade av hur er Code of Conduct och andra arbetsdokument görs och till vilken grad de anställda har frihet i deras sätt att tillämpa och implementera dessa. Frågor kommer beröra om de anställda har varit med i uppförandet av dokumenten, samt frågor kring hur ni önskar att en anställd bidrar till hållbarhetsarbetet?

Något som sitter lite ihop med hur en anställd kan bli motiverad/belönad är hur ni mäter och rapporterar arbetet. Vi vet att ni till stor del följer GRI ramverket, och har några frågor angående detta.

Vår fokus i uppsatsen ligger i struktur frågor varpå vi har en del frågor rörande detta, både hela organisationen och Hållbarhetsarbetet. Här pratar vi om kommunikation, hierarki, auktoritet, decentralisering, integrering m.m.
APPENDIX B.

Questions

Sustainability

• Your background and Sustainability experience?
• How do you define CSR and Sustainability?
• What are you doing?
• What are your main objectives for such a thorough Sustainability work?

Structure of the Sustainability work

• How is your Sustainability work built up?
• Where can the responsibility be found?

What is required of the employee when it comes to Sustainability

• How and to what extent are the employees educated when it comes to sustainability work?
• How can they use that education?

Policies and code of conduct

• How are they made?
• Who make them and under influence of whom?
• Are they detailed?

How performance regarding CSR measured and reported

How are employees motivated

• Monetary rewards?
• No-monetary rewards?

How in addition to the above is Sustainability safeguarded in the organisation?

Structure questions regarding the organisation in general and for the sustainability work

• Centralisation Vs Decentralisation
• How is authority distributed?
• How do you communicate?
• Reporting line?
• How standardised are your processes
• How much written documents and guidelines are present, and how detailed are they?

In your own word what are the success factors behind your work?
Frågor (as posed to three of the interviewees)

Hållbar utveckling

• Din bakgrund och erfarenhet av hållbar utveckling?
• Hur definierar ni CSR gentemot Sustainability?
• Vad gör ni i ert hållbarhetsarbete?
• Vad är erta största mål till att föra ett sådant utbrett arbete?

Strukturen av ert hållbarhetsarbete

• Hur är arbetet uppbyggt?
• Var hittar man ansvaret?

Vad kräver man av anställda då det kommer till hållbarhetsarbete

• Hur och till vilken grad är erta anställda utbildade i dessa frågorna?
• Hur kan de få användning av den utbildningen?

Policies och code of conduct

• Hur gör ni dessa? Vem gör de och vem är denne influerad av?
• Är de detaljerade?

Hur mäter man och reporterar man prestationer inom dessa områden

Hur motiverar man anställda?

• Monetära belöningar
• Icke-monetära belöningar

Hur kan man utöver det vi redan nämnt säkerbetsställa hållbarhetsarbete i organisationen.

Struktur frågor angående strukturen generellt i organisationen samt i hållbarhetsarbete.

• Centralisering mot decentralisering?
• Hur är auktoritet fördelat?
• Hur kommunicerar man?
• Hur rapporterar man?
• Hur standardiserade är era processer?
• Hur mycket skrivna dokument och föreskrifter finns det och hur pass detaljerade är dessa?

Vilka är framgångsfaktorerna bakom ert hållbarhetsarbete?
APPENDIX C.
Questions for telephone interviews

What is Sustainability for you?

Is that a part of your daily routine, and if so how?

How governed and monitored are you by the different routines, rules and guidelines that exist in the organisation? How detailed are they, and in what way are they steering?

Do you feel that you have a part in the creation of these documents and routines? If so, how does that take its form?

Do you feel that your sustainability work is acknowledged and in what way?

A related question to the one above is how you feel motivated to work towards the Sustainability goals?

How do you report the sustainability work, and to whom?

With who do you counselling regarding Sustainability issues?

Have you been provided education concerning how to include Sustainability issues, and how these issues effect your and the organisations way to do things?

How do you put this forward to the people working with you?

How much input are you given from those working on the projects of what can be done differently that could be beneficial in these terms?

Frågor (as they were posed to the interviewee)

Vad är Sustainability arbete för dig?

Är det en del av ditt dagliga arbete, och i så fall hur?

Hur pass styrd är du av de olika rutinerna, regler och policies som finns i organisationen? Är det detaljerade eller finns det en hel del frihet i hur man använder de?

Känner du att du kan vara med och påverka dessa rutiner och regler? I så fall på vilket sätt?

Känner du att ditt Sustainability arbete uppmärksammas och på vilket sätt uppmärksammas det?

En relaterad fråga till den ovan är hur du känner dig motiverad att jobba emot de mål som finns inom Sustainability arbetet?

Hur rapporterar du det Sustainability arbete som du gör, och till vem?

Med vem rådgör du angående det som rör Sustainability?

Har du då fått utbildning om vad Sustainability handlar om och hur det påverkar ditt och organisationens sätt att arbeta?

Hur för du vidare detta på andra medarbetare? Får du mycket input av de som jobbar i tex produktionen om vad de tycker kan förbättras, göras annorlunda osv.