



Corporate Sustainability Reporting Directive

An analysis on the pre-implementation phase of CSRD in relation to stakeholder engagement, institutional logic and networks

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Abstract

The European Union (EU) has proposed and adopted the Corporate Sustainability Reporting Directive (CSRD) to enhance businesses' sustainability performance across the EU. The study focuses on the pre-implementation phase of CSRD within an audit and consulting company and its perceived effects on organizational processes and structures. The aim is to provide a better understanding of the organizational impact of CSRD and gain knowledge on its effects. Availability of academic literature on the topic is limited due to the recent implementation and ongoing alterations of the CSRD. To address this gap, semi-structured interviews were conducted with members of Company X, an audit and consulting firm that is currently undergoing the pre-implementation phase of the CSRD. A conceptual framework is designed to analyze and compare three theories: Stakeholder Theory, Institutional Logic, and Network Theory. The results of this study highlight the paradigm shift from shareholder to stakeholder perspective in corporate reporting, with the inclusion of both financial and non-financial aspects (double materiality). For Company X to comply with the CSRD, they need to establish organizational processes and structures that align with the new sustainability focus, requiring a shared logic of sustainability among employees. Internal networks play a crucial role in sharing knowledge across departments to meet the information in the CSRD. Additionally, Company X should leverage external networks to access a wide range of novel information through weak ties, avoiding the limitation of 'homophily' and ensuring the retention of new insights. Conclusions of the study suggest the importance of stakeholder engagement, the adoption of Institutional Logics, and the utilization of internal and external networks. By navigating the complexity of CSRD and maintaining focus on the end goal of making a sustainable impact, organizations can effectively implement the directive and contribute to positive change.

Key words: CSRD, Organizational structures, Organizational processes, Strategy, Stakeholder Theory, Institutional Logic, Network Theory, Decision-making processes, Collaboration, Communication, Change Management

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Abbreviations

CSRD	Corporate Sustainability Reporting Directive
EB	Executive board
EFRAG	European Financial Reporting Advisory Group
ESG	Environmental, Sustainable and Governance
ESRS	European Sustainability Reporting Standards
EU	European Union
IDD	Insurance Distribution Directive
MiFID	Markets in Financial Instruments Directive
NFRD	Non-Financial Reporting Directive
SBTi	Science Bases Target Initiative
SFAP	Sustainable Finance Action Plan
SFDR	Sustainable Finance Disclosure Regulations
IL	Institutional Logic
ILS	Institutional Logic of Sustainability

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1. Introduction

As individuals, civil society, international companies and authorities increasingly gain knowledge on the current state of the climate crisis, there is a willingness to act and bring about much needed change in sustainable behavior. As we must strive for sustainable development, shifting the current paradigm within our economic systems and that of the society as a whole, sustainable change cannot be realized without changes in corporate governance from organizations (Primex & Belak, 2022). For this reason, the European Union (EU) proposed and adopted the **Corporate Sustainability Reporting Directive (CSRD)**, including a comprehensive set of measures to improve businesses' sustainability performance across the EU. The goal of the CSRD is to "improve sustainability reporting in the EU single market, leading firms to align to high-quality disclosure standards and ruling out strategic behaviors. The CSRD proposal indeed dictates more detailed reporting requirements and requires firms to report information according to mandatory EU sustainability reporting standards." (Cerciello, Bustato & Taddeo, 2023, pg. 811). The CSRD is an element of the European Green Deal policy, with a purpose to push companies forward in their sustainable transition, ensuring that adequate information about the risks, opportunities and impacts of their activities on people and the environment is publicly disclosed. The Green Deal is the growth strategy of the EU, aiming to transform Europe into a modern, resource-efficient and competitive economy with no net-emissions of greenhouse gasses (GHG) by 2050 (European Union, 2022).

On January 5th, 2023, the CSRD entered into force, aiming to modernize and strengthen the rules about social and environmental information that companies have to publicly report. Implementation of the CSRD will require approximately 50.000 companies, as well as listed SMEs, to begin reporting on their sustainable performance under the new rules. Companies are required to do so if they have at least 250 employees, annual turnover exceeding €40 million or assets exceeding €20 million. The CSRD is an update to the Non-Financial Reporting Directive (NFRD) of the EU and will provide investors, stakeholders, and the public with more relevant and reliable information on companies' sustainability performance, which will help them make informed decisions and hold them accountable for their impact on the environment and society.

Whereas companies used to report on sustainable topics out of intrinsic motivation, a way to develop trust among investors or as a competitive advantage to other companies (Sebrina et al., 2023), the CSRD will now make it mandatory to report on sustainable performance in a transparent and benchmarkable way. Since the CSRD proposes 'integrated reporting', sustainable information will no longer be published in separate sustainability reports but

rather integrated within the annual reports and financial statements. This is of significant relevance when considering the user groups of the CSRD.

Ter Hoeve (2023) describes how the CSRD explicitly identifies two primary user groups that the CSRD should target. The first are investors, including asset managers. The second are civil society organizations, such as non-governmental organizations (environmental organizations) and social partners (e.g., trade unions). Also explicitly mentioned are other stakeholders of sustainability information down to individual citizens. When it comes to sustainability information, the circle of stakeholders actually consists of everyone who has an interest in sustainability in a broad sense. Both of these circles of users will want to focus on sustainability performance and the company's impact on the environment. This strongly relates to one of the most important features of the CSRD, [double materiality](#).

Climate change, resulting from anthropogenic behavior and increasing GHG emissions, is giving rise to ever increasing natural catastrophes that threaten biodiversity and future generations (IPCC, 2021). Sustainable action of corporations is vital to keeping the world's global temperature rise below the 1.5° Celsius as agreed in the Paris Agreement (Horowitz, 2016). Therefore, companies need to adapt and comply with the mandatory reporting requirements and provide relevant and insightful information so stakeholders can assess the organizations' impact.

1.1. Background

1.1.1. Previous Non-mandatory Standard

European and worldwide organizations have been designing and implementing standards for non-financial reporting. An example is the Global Reporting Initiative (GRI), an independent and international organization that helps companies take responsibility for their impacts as GRI provides a common language to communicate those impacts (GRI, n.d.). Since 1997, GRI has pioneered and led the practice of non-mandatory sustainability reporting. In 2021, GRI Standards were described as the most widely used standards by companies and most frequently referenced sustainability reporting standards by governments, financial market regulators and stock exchanges all over the world (Durham University, 2021).

1.1.2. European Strategy and Policy

On the 4th of November of 2016, the first international, binding agreement on climate change adopted by 196 parties, entered into force: the Paris Agreement. The 196 parties signed this legally binding international treaty and committed to its goal: "... hold the increase in the global average temperature increase to 1.5 °C above pre-industrial levels.". The implementation of the Paris Agreement requires economic and social transformation by the

signed parties (United Nations Climate Change, n.d.). The European Union later translated the Paris Agreement into the European Green Deal (European Union, 2022). To put this strategy into practice, in March 2018 the European Union agreed on the Sustainable Finance Action Plan (SFAP).

1.1.2.a. Sustainable Finance Action Plan

SFAP is a European policy aiming to promote sustainable investments within EU member states, mobilize sustainable finance and strengthen European leadership by serving as a model for sustainable finance. The SFAP integrates Environmental, Social and Governance (ESG) considerations into its financial policy framework which could be used by investors, businesses and financial institutions to gain clarity and transparency on multiple European sustainability measures. The SFAP “aims to:

1. reorient capital flows towards sustainable investment in order to achieve sustainable and inclusive growth;
2. manage financial risks stemming from climate change, resource depletion, environmental degradation and social issues; and
3. foster transparency and long-termism in financial and economic activity.” (European Commission, 2018).

As shown in figure 1, the SFAP is part of a series of interconnected policy blocks that, “when combined, create an environment that should not only be more transparent, with common references, but also able to effectively channel more capital flows towards the funding of sustainable activities.” (Amundi, 2022, pg. 4). The SFAP consists of the following five key building blocks including the CSRD.

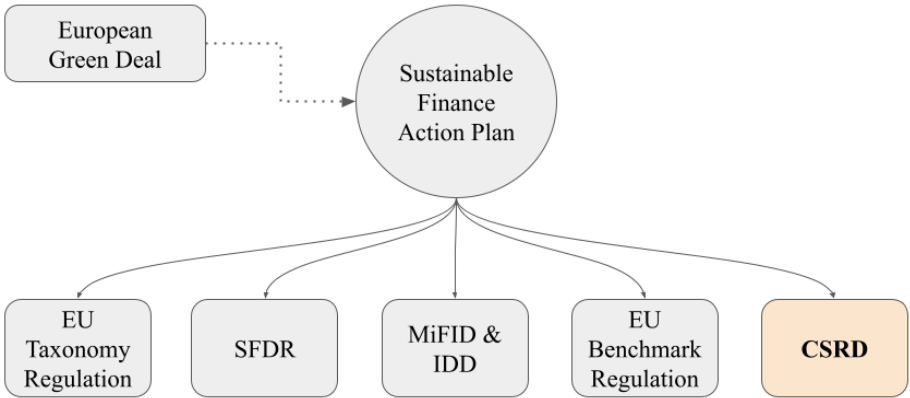


Figure 1: European sustainable policy landscape

- The **EU Taxonomy** is a classification framework that can be used to establish a list of a company's environmentally sustainable economic activities, which could help

European businesses to scale up sustainable financing.

- The **Sustainable Finance Disclosure Regulation** (SFDR) imposes a set of requirements on financial market players to analyze and publicly disclose environmental, social and governance policies and initiatives.
- The **Markets in Financial Instruments Directive** (MiFID) and **Insurance Distribution Directive** (IDD) are directives that incorporate environmental, social and governance considerations into investment advice for the investment fund and insurance-linked investments sectors.
- The **EU Benchmark Regulation** has a particular focus on the protection of consumers and investors in relation to benchmarks by promoting transparency and rigorous oversight of European benchmarks. This will introduce requirements for benchmark administrators to adhere to various rules concerning governance, conflicts of interest, the introduction of controls, transparency to users and the introduction of a code of conduct (Amundi, 2022).

1.2. Corporate Sustainability Reporting Directive

The CSRD will not solely function as regulation but aims to provide a framework to facilitate a shift within companies from a traditional focus on financial performance to consideration of the opportunities and challenges of sustainable development (Durham University, 2021). The CSRD tries to make sustainability a tangible subject for an organization and to do so, the European Union faces the following three key goals for reporting on sustainability with the pre-implementation of the CSRD:

1. To improve the overview on system risks, caused by climate change and other developments;
2. To influence capital streams, so the investments in sustainable businesses increase and investments in less sustainable businesses decrease;
3. To hold accountability for companies' impact on their environmental, social and governance impact (European Commission, n.d.).

One of the intended effects of CSRD is to encourage dialogue with the company's stakeholders. These interactions will increase the insights for reporting, but also guide companies in what to specifically report on. By doing so, a company can broaden their spectrum and increase the awareness of current processes and how they are affecting their business. It can help a company improve their report, their results, the effects and following actions after reporting and make them more powerful and sustainable (SER, 2023).

1.2.1. Previous European Non-Financial Reporting Standard

The CSRD is an amendment of the Non-Financial Reporting Directive (NFRD) of the EU and will provide investors, stakeholders, and the public with more relevant and reliable

information on companies' sustainability performance. The NFRD targets a smaller group in comparison to the CSRD's target group. The NFRD reporting rules applied to listed firms with over 500 employees, which covered approximately 11.700 companies and groups across the European Union (European Commission, n.d.). Since the CSRD is applicable to approximately 50.000 companies in the EU, there will be a large group of companies without experience on non-financial reporting. The reporting approach will be different for companies used to and not used to non-financial reporting, since the CSRD focuses on sustainability from inside out and includes double materiality.

1.2.2. European Sustainability Reporting Standards

To use the CSRD in an efficient and effective way, companies are guided by the European Sustainability Reporting Standards (ESRS), in other words: the standards provided by the CSRD. The ESRS contains twelve standards, of which two 'general': ESRS 1 (general requirements) and 2 (general disclosures), which contain the mandatory concepts and principles to which companies reporting under the CSRD have to include. ESRS 1 and 2 are often referred to as cross-cutting standards. The ESRS requires companies to disclose information about their environmental, social and governance (ESG) practices, including their policies, risks and performances in relation to those areas (EFRAG, 2022). In figure 2 the structure of the ESRS is portrayed. The other ten topic standards arise from the ESG considerations. It is a company's responsibility to find out on which of these ten topic standards they will report. This is done by identifying stakeholders' priorities by the double materiality assessment (SER, 2023).

An audit on the integrated report will show whether or not the company complies with the standards and whether or not every mandatory and logically applicable standard is reported on. The most important element of the CSRD reporting according to ESRS in the coming years will be the inclusiveness of the mandatory as well as other logically applicable standards and the level of transparency on those topics. Thus, a company meets the needs of the CSRD when they report transparently on those required and relevant topics, not when they have them all embedded in their organization's structures and processes (SER, 2023). ESRS 2 and ESRS E1 are mandatory for all companies, where ESRS S1 is only mandatory for companies with more than 250 employees. A more comprehensive explanation about ESRS 1 and 2 is presented in [Appendix 1](#).

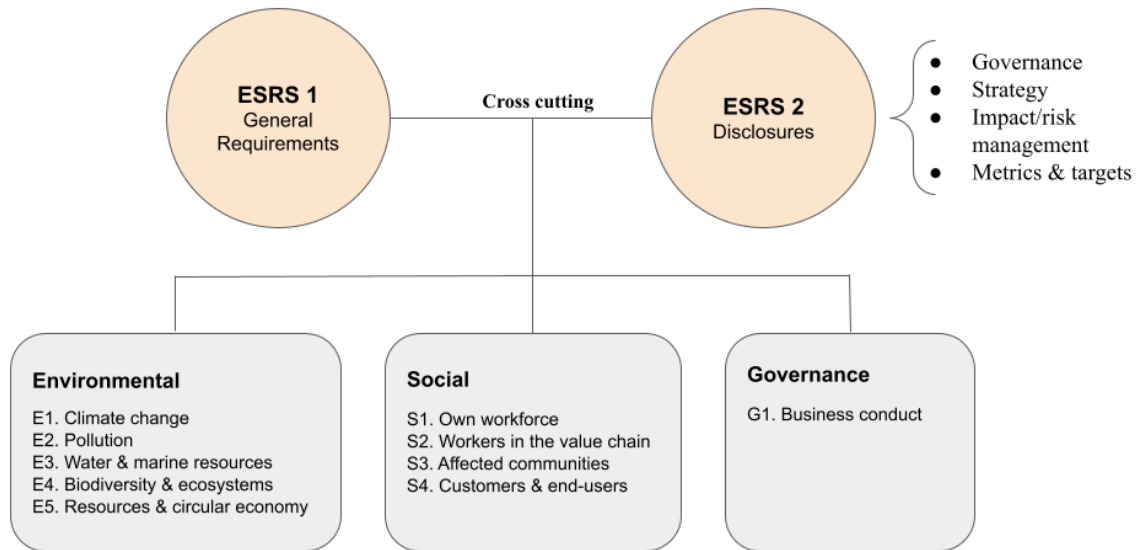


Figure 2: ESRS structure

1.2.3. Double Materiality

Previous standards, following previous reporting directives, were mainly focused on the financial materiality and thus the impact on companies own financial business (traditional/single materiality). Double materiality can be described as: the impact of an organization on their environment (from an ESG perspective) and the impact of the environment on the organization. Impact thus goes both ways. To decide which topics are (double) material, companies have to conduct a **double materiality assessment**.

The European Union wants to broaden the scope of reporting from only profit to planet and people (SER, 2023). As seen in figure 2, the ESG considerations divide ten topic standards that each focus on another ESG element that could be relevant for a company. A double materiality assessment is the way in which a company determines which topic standards it has to report on, based on the nature of their activities, business relationships, geographics and/or other risk factors. A sustainability matter is considered ‘material’ when it will meet the criteria defined in the standard for impact materiality and/or financial materiality. When the company concludes that a certain topic is not material and will therefore not report on it, the company has to briefly explain their conclusion of the double materiality assessment and the reason for not including the topic. When the company identifies a certain sustainability matter as material, it has to be reported in accordance with the Disclosure Requirements related to that specific sustainability matter (EFRAG, 2022).

A double materiality assessment is conducted by asking the input of stakeholders. After identifying all relevant stakeholders, they will be invited to fill in a survey and subsequently be invited to stakeholder dialogue sessions of the company. The ESRS distinguishes two

main groups of stakeholders: affected stakeholders and users of the sustainability statements. Affected stakeholders are described as “individuals or groups whose interests are affected or could be affected - positively or negatively - by the undertaking’s activities and its direct and indirect business relationships across its value chain” (EFRAG, 2022). The second group of stakeholders are the “users of sustainability statements: primary users of general-purpose financial reporting (existing and potential investors, lenders and other creditors, including asset managers, credit institutions, insurance undertakings), as well as other users, including the undertaking’s business partners, trade unions and social partners, civil society and non-governmental organizations, governments, analysts and academics” (EFRAG, 2022). It is possible for certain stakeholders to belong to both identified stakeholder groups.

Engagement with the stakeholders is heavily reliant on the company’s continuous due diligence process and double materiality assessment according to the CSRD. This will include the processes of identifying and evaluating actual and potential negative impacts, which will help identify the material impacts for the purposes of sustainability reporting (EFRAG, 2022). Stakeholders will differ from company to company, CSRD underlines the importance of including stakeholders, like a company’s board, users and environment, from the start because of the influence they have on the company’s structures and processes, such as their strategy and decision-making processes.

Double materiality emphasizes the importance of aligning financial performance with sustainable practices and responsible business conduct. It recognizes that an organization's long-term success depends not only on financial metrics but also on its ability to address ESG issues, meet societal expectations and contribute positively to environmental and social well-being. An example of a double materiality matrix is displayed in [Appendix 2](#).

1.3. Research Problem

This research serves as a starting point for a better understanding of the organizational impact of the CSRD and gaining more knowledge on the possible effects that the CSRD may have on audit and consulting firms. Because of the very recent implementation and constant alterations of the CSRD, academic literature on the topic is limited, especially when it comes to the impact that the pre-implementation phase of the directive will have on companies’ processes and structures. This is mainly because the pre-implementation phase of the CSRD is currently being executed in the corporate world, since the first rounds of reporting are due in 2024 or 2025, depending on the size of the company. Considering the research gap that evolved by the creation of this new directive and the meaningful insights that a study of the impacts of the CSRD may hold, this will be explored in this thesis.

The thesis focuses on an international integrated audit, tax and consultancy firm, located in the Netherlands, employing over 1.100 people in 10 different offices, referred to as: Company X. They currently follow a corporate sustainability strategy based on 5 strategic

pillars: Integrity & Responsibility, Climate & Environment, People, Community Involvement and Sustainability Services. Knowing that in two years, Company X will rewrite its strategy for an upcoming switch of the executive board, Company X will be a good case for this research. Company X will serve as a guide for other organizations and their sustainable transition in navigating the pre-implementation phase of the CSRD process. Other companies where services of auditing and consulting are combined can learn from the findings which might be applicable on their own company. Company X is selected due to their stated commitment and strategic integration of sustainability and their international presence. Furthermore, Company X's position within the pre-implementation phase of CSRD is extra relevant because of the two ways it will apply to their company: they have to write their own report in accordance with the CSRD but will also consult and audit the CSRD as a service to their clients.

1.4. Purpose

The purpose of the research is to **understand** the pre-implementation phase of the CSRD and to **explore** the perceived effects it has on organizational structures and processes. To do so, this research focuses on the case of one particular audit and consulting firm. This case will help understand the preparatory process of complying with the CSRD and thus gain a deeper insight or comprehension of the CSRD by examining this in greater detail and analyzing its various components and features. While exploring this case, the research investigates the process of the pre-implementation phase of the CSRD in order to gain a better understanding, with the aim of potentially generating new insights.

1.5. Aim

The aim of the study is to examine the pre-implementation phase of the CSRD within an audit and consulting company and assess its perceived effects on organizational processes and structures. Three lenses are applied to do so. Firstly, Stakeholder Theory is utilized to examine stakeholder engagement during the CSRD process, given that double materiality serves as the foundation for the CSRD. Secondly, Institutional Logic is employed to investigate the underlying beliefs, assumptions, and practices that shape behaviors and reveal organizational drivers. Lastly, Network Theory is employed to explore the weak and strong connections both internally and externally of Company X, and how these connections inform and guide CSRD initiatives. By exploring how one company perceives and is influenced by the new CSRD policy during the pre-implementation phase, this research aims to bridge existing research gaps.

1.6. Research Questions

To achieve the research's purpose and aim, the following research questions (RQ) are formulated:

- RQ 1 How is double materiality, as identified in the CSRD, interacting with the stakeholder engagement processes in the pre-implementation phase of CSRD for Company X?

- RQ 2 How are the organizational processes and structures of Company X affected by the pre-implementation phase through the lens of Institutional Logic?

- RQ 3 How is Company X utilizing their internal and external networks during the pre-implementation phase of CSRD?

1.7. Disposition

The paper consists of seven sections that clearly present the intention of the exploration, context, examination and research outputs of this thesis. The first section is the (I) Introduction, where an overview of the research topic (CSRD) as well as the significance, background, research problem, purpose, aim and research questions are outlined, followed by the (II) Theoretical framework where the theoretical concepts and models used in this research are presented and reviewed. The third and fourth sections contain the (III) Methodology, where the research design and approaches are introduced, and Presentation of Object of Study (IV), where Company X is discussed. Subsequently, the Analysis (V) of the empirical findings and Discussion (VI) are presented, followed by our Conclusion and Recommendations (VII).

2. Theoretical framework

This section introduces the theories and concepts that will be used throughout this research, including Stakeholder Theory, Institutional Logic and Network Theory.

2.1. Stakeholder Theory

Stakeholder Theory can be studied as a managerial and ethical theory that describes the relation between an organization and its stakeholders, emphasizing the importance of considering the interests and expectations of all stakeholders (Freeman, et al., 2010). As frequently addressed by Freeman, stakeholders are defined as “any group or individual who can affect or is affected by the achievements of the firm’s objectives” (1984, pg. 49). Freeman (1984) also claims that, when taking a stakeholder perspective, businesses should be understood as a set of relationships between groups that have a stake in the activities of the business.

The theory suggests that an organization should be accountable not only to its shareholders but also to its employees, customers, suppliers, communities, and other stakeholders who may be affected by its actions and externalities. Suggesting that “... an appropriate corporate objective is that the firm should increase the wealth of its shareholders without reducing [and presumably increasing] the aggregate wealth of its other stakeholder groups.” (Jones & Harrison; in Phillips, et al., 2019, pg. 8). Therefore, organizations should strive to create value for all stakeholders, including various non-financial factors, such as, but not limited to environmental sustainability, well-being, and social responsibility (Phillips et. al, 2019). This explains its relevance to sustainable wealth creation, policy, sustainability, and other business disciplines including management and behavioral disciplines.

Recently the Stakeholder Theory has gained significance within the business world, however it is not without its criticisms. This approach is complex, though has many opportunities that can lead to a more collaborative and inclusive approach to management, where all stakeholders have a voice and are involved in shaping the direction of the organization (Phillips et al., 2019). Stakeholder Theory can be very complex, especially for businesses with limited resources because identifying and managing the interests of various stakeholders can be time-consuming and costly. However, advocates of the theory argue that the benefits of Stakeholder Theory, such as increased trust and loyalty from stakeholders, outweigh the costs (Friedman & Miles, 2006). Additionally, as mentioned, the theory recognizes that stakeholders may have different interests and priorities, which can create significant conflict and difficulty for the organization to satisfy everyone in their decision-making. As a counterpoint to this criticism, proponents argue that these conflicts can be resolved in

stakeholder management and engagement through dialogue and collaboration (Mitchell, et. al., 1997; Jawahar & McLaughlin 2001; in Friedman & Miles, 2006).

One of the biggest challenges and criticisms of the Stakeholder Theory is “defining the boundaries of an organization” (Phillips et al., 2019, pg. 3). Moreover, it lacks clarity on who qualifies as a stakeholder and how to prioritize their interests, making it difficult for organizations to put them into practice. However, as argued by Phillips et al., this criticism should be seen as an opportunity to “revaluate both what constitutes a firm boundary and what it means to be inside or outside” (2019, pg. 3), because it allows for flexibility and adaptation to changing circumstances. In relation to the context of this study this also speaks to the relationship between organizational boundaries and financial reporting. As explained by Miles in Phillips et al.,

“The boundary of reporting is based on ownership, control, and significant influence within the definition of the legal entity. This determines what is and is not considered to be part of the organization and therefore what activities are reasonable to expect an organization to report on.” (2019, pg. 4).

The quote highlights the crucial role played by the conception of boundaries in determining what is reported and measured in accounting and other reporting statements. Although significant efforts are being made in the management and accounting fields to customize accounting measures for the benefit of stakeholders, more improvement is necessary (Harrison & van der Laan Smith, 2015; in Phillips et al., 2019).

2.2. Institutional Logics

From the organizational perspective, understanding the drivers and dynamics that shape organizational behavior is crucial for comprehending how organizations operate within their social and institutional contexts (Jepperson & Meyer, 2021). A significant approach in this domain is the application of Institutional Logic (IL), grounded within Institutional Theory, often used in research to explain the adoption and spread of formal organizational structures (i.e., written policies, standard practices, and new forms of organization). Although different conceptualizations exist in the literature, one of the more common definitions describes IL as a “socially constructed, historical pattern of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality” (Thornton & Ocasio, 1999, pg. 804). IL was founded on the work of Friedland and Alford (1991), who showcased the interconnections among various institutions in society, emphasizing how organizations rely on each other despite their contrasting nature.

Thornton, et al., (2008) expanded on this by arguing that society functions as a marketplace, providing a context for understanding management and decision-making from individual and organizational perspectives. This suggests that organizations are embedded within institutional environments characterized by different logics, representing sets of values, beliefs, and rules outlined by Thornton and Ocasio (1999). These ‘logics’ shape a shared understanding within organizational social systems, helping businesses navigate tensions arising from conflicting stakeholder demands and ensuring alignment with prevailing norms (Lounsbury, et. al., 2021). Since, organizations are defined as socially constructed entities influenced by various actors, including other organizations, professionals, regulators, and stakeholders, logics serve as frameworks for interpreting and responding to the expectations and demands of their institutional environment (Thornton et al., 2013).

IL theory emphasizes the underlying value systems that drive organizational behavior and the response to stakeholder demands (Thornton et al., 2013). By providing insights into how institutions shape organizational behavior and decision-making processes, particularly during periods of change (Lounsbury & Boxenbaum, 2013). Understanding how organizations adapt to upcoming regulations and align their practices is crucial for examining their behavior and strategic decision-making. IL theory encompasses various characteristics such as “economic systems, identity sources, legitimacy sources, authority sources, mission bases, attention bases, strategy bases, investment logic, governance mechanisms, institutional entrepreneurship, event sequencing, and structure overlap” (Thornton et al., 2005; Silva & Figueiredo, 2017, pg. 4). Analyzing these characteristics helps to understand the process of organizational change within IL by exploring how different logics provide rational explanations for decision-making (Lounsbury et al., 2021). In examining prevailing logics, interplay between different logics, and how organizations negotiate and manage institutional complexity, researchers can gain insights into how organizations adapt and respond to internal and external pressures while pursuing their goals and maintaining stakeholder engagement (Lounsbury & Boxenbaum, 2013).

2.2.1. Institutional Logic of Sustainability

The Institutional Logic of Sustainability (ILS) is a theoretical approach that examines how organizations contribute to sustainability within a particular field. ILS is defined as “the outcome of actions [developed and institutionalized by organizations] that improve the sustainability of a given organization,” focusing on socially constructed actions and intentions (Silva & Figueiredo, 2017, pg. 8). This theory fills a gap in knowledge by exploring how sustainability is practiced and shared among organizations and individuals.

ILS approaches sustainability as being based on common goals shared by social and economic actors, serving as foundation for understanding how sustainability as a practice can lead to the emergence of new organizational values and transformative changes (Silva &

Figueiredo, 2017). From this understanding, it recognizes that sustainability is both a cause and a consequence, enabling new practices, structural changes, and organizational actions that support sustainability. Therefore, outlining that when sustainability is seen as a social value, it transcends its material and symbolic aspects and can be shared across organizations (Silva & Figueiredo, 2017). From this research, sustainability practice becomes a continuous repetition that drives change and is supported by the technical and functional aspects of an organization, offering insights into how organizations incorporate sustainability into their operations and contribute to broader sustainable practices.

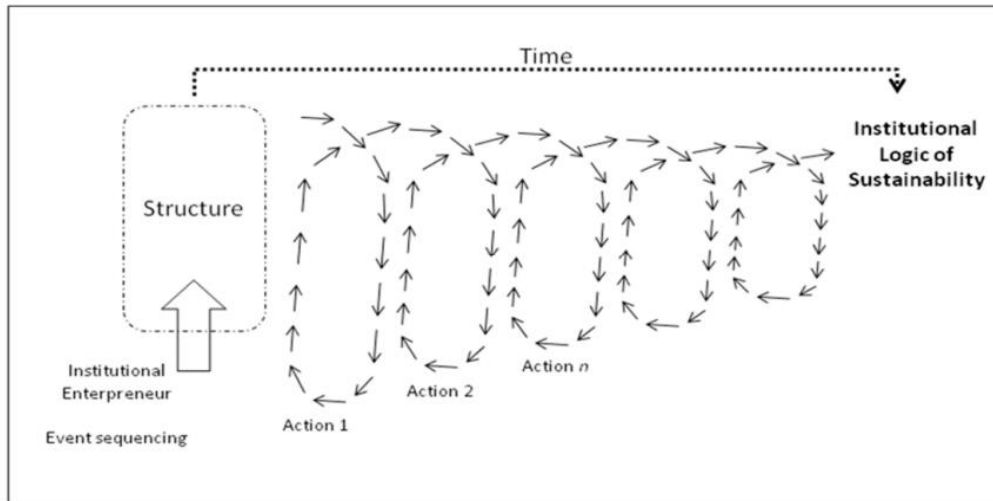


Figure 3: Development of an Institutional Logic of Sustainability
(Silva & Figueiredo, 2017, pg. 3)

Figure 3, developed by Silva & Figueiredo, displays the development of ILS within an organization as an “immersion process of change” (2017, pg. 3). It reveals that through a sequence of events over time, sustainability as a practice becomes both the cause and result of structural changes. Here, change events are sparked by a driver which facilitates new actions that are integrated with sustainable values. This development process helps to legitimize sustainable values and their integration into organizational structures and create a new dominant logic of sustainability. In this framework, sustainability practice is both a starting point and result of several practices that stimulate the new logic of ILS (Silva & Figueiredo, 2017).

2.3. Network Theory

Two of the most prominent network theories are set out by Granovetter (1973) and Burt (1992) and will be explained in this theoretical framework. Borgatti and Halgin (2011) state that “both theories are based on the same underlying model of how networks work” (p. 1172). In this section and research, a tie will refer to the connection or relationship between either

individuals or organizations. Both individuals and organizations will in this section be further referred to as 'nodes', being the actors within networks where ties are formed and information and/or resources will flow.

Granovetter (1973) describes Network Theory in terms of strong and weak ties, claiming that the stronger the tie between two nodes, the more likely it is that they will be connected to the same other nodes within a network. Borgatti and Halgin (2011) describe this phenomenon as follows: "if A and B have a strong tie, and B and C have a strong tie, the claim is that A and C have an increased chance of having at least a weak tie" (p. 1170). An important observation is that people prefer to interact with people who are like themselves: homophily. Borgatti & Halgin (2011) claim that homophily is weakly transitive because "if A is similar to B, and B is similar to C, then A and C are likely to be somewhat (i.e., weakly) similar as well. To the extent that similarity causes ties" (p. 1171). Another insight of Granovetter's (1973) theory of strong and weak ties is that bridging ties - described by Burt (2005) as ties that connect two different clusters of nodes - are likely to provide novel knowledge. Because of bridging ties, nodes in the network will have access to information that is not circulating among close nodes (e.g., friends) (Borgatti & Halgin, 2011). Therefore, a node connected to a node outside their own cluster of nodes, has a benefit in being provided new information and plays an important role in distributing information flows within the network. For this reason, Granovetter (1973) claims that strong ties are not likely to provide new information whereas weak ties will and that bridging ties are almost always weak ties.

The second Network Theory explained in this theoretical framework is that of Burt (1992): the theory of structural holes. The theory of structural holes is affected by ego networks: a cloud of nodes surrounding a specific node (Borgatti & Halgin, 2011). Burt (1992) claims that occupying a structural hole: a gap or discontinuity in a social network, may hold strategic advantages. The more connected the cloud surrounding a node, the more likely that node is to receive novel information. Slaughter (2017) adds up to this by stating that weak ties work best when it comes to input, strong ties when it comes to output. The structure of the network affects the behavior of the people in it and that the density of a network matters. The degree in which a node is linked to other nodes holds lots of important information, Harjoto and Wang (2020) agree with Burt's (1992) theory by claiming that high network centrality has high information advantages. The authors state that this causes firms to effectively, timely and accurately deal with pressure from stakeholders (Harjoto & Wang, 2020).

Some criticisms on Network Theory include oversimplification since it simplifies social phenomena that are often complex by reducing them to connections and network structures. This way, factors that may influence individual and organizational behavior may be overlooked. Other criticisms evolve from the static view often used in Network Theory. Since Network Theory analyzes networks as static phenomena the theory may fail to capture the

dynamic nature of networks over time. Furthermore, structural holes as identified by Burt (1992) might be difficult to allocate and thus occupy in networks.

2.3.1. Network Theory and Sustainable Integration

Both theories from Granovetter (1973) and Burt (1992) can be related to innovation, more specifically sustainable policy integration at the organizational level. When it comes to findings in relation to Granovetter's (1973) theory of strong and weak ties, Hauser et al. (2007) states that information in networks circulates through weak ties between different nodes. Removing a weak tie can thus potentially cause far more damage to transmission of knowledge than elimination of a strong tie. Ruef (2002) adds to this by claiming that new knowledge is more easily spread through loose contacts (weak ties) than close friendships (strong ties). Activity in company networks may lead to innovation (Reuf, 2002), because integration processes require access and recombining of diverse types of knowledge (Sammorra & Biggiero, 2008).

When looking at sustainable integration through Burt's (1992) Network Theory of structural holes, Carnovale and Yeniyurt (2015) found that network density is a significant driver of ego network innovation: an increase in network density will increase the levels of information sharing and behavioral changes within the network. Furthermore, the authors claim that output tends to be more equally distributed among firms that are members of dense networks. Srivastava and Gnyawali (2004) identify three major barriers to integration - resource constraints, organizational rigidity and uncertainty - and explain how ego network mechanisms like tie-strength and -diversity may help firms in mitigating these barriers.

To conclude, sustainable integration from the lens of Granovetter's (1973) theory explains how weak ties in networks can be important because of their 'bridging character': they provide novel and innovative information from one dense cluster of nodes to the other. Weak ties coming from network organizations may lead to more innovation because of the availability of more diverse types of knowledge. Weak ties are best when it comes to input (Slaughter, 2017). Burt's (1992) theory in relation to innovation shows how nodes in ego - and highly connected networks will observe increased levels of innovation by mitigating barriers. Strong ties are most effective when it comes to output (Slaughter, 2017).

2.4. Conceptual Framework

Stakeholder Theory, Institutional Logic and Network Theory are three important approaches that help explain how organizations operate and interact with their environment and answers the research questions presented in this thesis. Although they approach the study of organizations from different angles, they have important overlap. The way in which these three theories are related to this thesis' research questions is visualized in figure 4.

Both Stakeholder Theory (Freeman, 1984) and Institutional Logic (Thornton & Ocasio, 1999) have a shared focus on how external factors shape organizational behavior. As identified in the previous theoretical sections, Institutional Logic emphasizes the impact of normative pressures from the broader social context. Furthermore, both theories have an emphasis on identity in organizational contexts, as Institutional Logic highlights the conformity to prevailing norms and values in order to gain legitimacy. Stakeholder Theory underlines the need for organizations to meet the expectations and balance the interests of their various stakeholders, which can also be done through identity (Harrisom et al., 2019).

Network Theory can be linked to both Stakeholder and Institutional Logic. Stakeholder Theory describes the relation between an organization and its stakeholders, whereas Network Theory is based on the interactions that occur within networks. Because organizations are part of their own networks of stakeholders, findings from Network Theory combined with those of Stakeholder Theory hold interesting insights of how networks might influence an organization and its stakeholder. Institutional Theory and logic suggest that organizations are highly influenced by the larger institutional environment (Jepperson & Meyer, 2021), while Network Theory agrees with this by claiming that the structure of the network affects the behavior of the nodes in it. Network Theory based on Granovetter (1973) is most applicable to Stakeholder Theory because of its strong focus on weak ties providing knowledge from organizations outside your network (external). Burt’s (1992) Network Theory is most connected to Institutional Logic because of its strong focus on ego- and densely connected networks which are present internally to organizations.

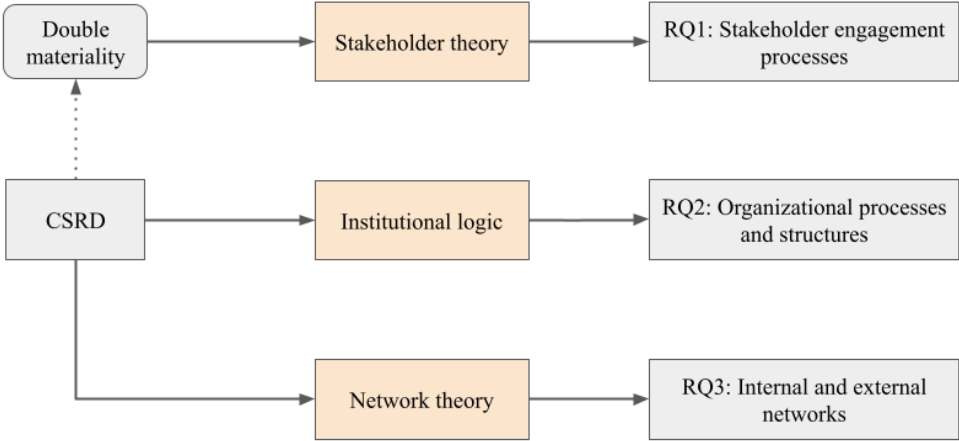


Figure 4: Theoretical frameworks and research questions

In conclusion, Institutional Logic, Stakeholder - and Network Theory, similarly recognize the importance of the organization and the way in which they operate within their environment. The complementary approaches also view this from different perspectives, necessary to gain a more holistic understanding for the research. As the research focuses on policy, this aligns with organizational changes, also due to the double materiality attribution

of the CSRD, it provides a clear connection to stakeholders making this multi-theory approach relevant.

3. Methodology

The methodology is outlined in the following section utilizing Saunders' research onion (2019), beginning with the identification of the philosophical approach to provide context and consistency for the research. Following, the research design, and methods for data analysis and collection are explained using the Saunders research framework (2019).

3.1. Approach

This paper is formulated layering pragmatic and critical realism approaches. The topic of study explores concepts including stakeholders, organizational processes, structures and networks. These concepts build on a split understanding that acknowledges the complex and dynamic nature of organizations and their environments. On one hand, organizations are seen as rational, goal-oriented entities that respond to external pressures and pursue predetermined objectives through the implementation of policies and structures (Lepsiu & Wendt, 2018). On the other hand, organizations are also viewed as socially constructed entities that are shaped by the perspectives, values, and interests of their stakeholders, who may have competing goals and conflicting interpretations of organizational reality (Weick et al., 2005). By layering these approaches, this paper seeks to provide a comprehensive and nuanced understanding of how stakeholders, organizational processes and structures and internal and external networks interact and shape each other over the set period of the pre-implementation phase of CSRD.

The pragmatic approach focuses on the practical aspects of the research, emphasizing the usefulness of knowledge and the applications of research findings (Saunders, 2005), making it well-suited for studying the real-world impact of policies and practices on organizations. From a pragmatic perspective, truth is not an absolute or objective concept, but rather a practical matter that depends on the context and goals of a particular situation. Pragmatists emphasize the importance of experimentation, experience, and observation in arriving at practical solutions to problems (Saunders, 2005). This view argues that the meaning and value of an idea or theory should be judged by its practical effectiveness in solving problems and achieving desirable outcomes, highlighting ideas of learning, which can be applied to the organizational as well as political context in which this study is founded. Pragmatic approaches also emphasize the importance of critical thinking, problem-solving, and collaboration, as well as the ability to adapt to changing circumstances and contexts. Thus, further fitting the study on understanding the pre-implementation of CSRD and purpose of research. Because the pragmatic approach is a philosophical perspective that emphasizes the practical application of ideas and theories, rather than their abstract or theoretical aspects, it is important to include other approaches to balance the study and appropriately answer research questions.

As a secondary approach critical realism can help to reveal the implicit assumptions and values that underlie policies and practices and their effects on stakeholders as focuses on uncovering deeper structures and causal mechanisms (Saunders, 2005). Essentially capturing that what is initially experienced through senses is subsequently processed subjectively by the mind, so there is a need to find out both what is immediately experienced and the structures and relationships that lie beneath this, to consider the underlying complexity (Saunders, 2005). Denzin and Lincoln (2005) agree when stating that events in organizations are caused by deeper, underlying mechanisms. This supports the use of qualitative research, because it is characterized by a focus on the socially constructed reality. Due to the use of semi-structured interviews in the study this is very applicable in interpreting not only the contextual reality that exists independently of our perceptions, but how our understanding of reality is shaped by our social and cultural contexts. It is essential, because this approach highlights that our knowledge of reality “cannot be understood independently of the social actors involved in the knowledge derivation process” (Dobson 2002; in Saunders, 2005, pg. 115). Critical realism connects to concepts of pragmatism through its importance of critical thinking, reflexivity, and a deep understanding of contextualizing knowledge and understanding the broader social, economic, and political forces that shape our world.

3.2. Research Design

The thesis focuses on the pre-implementation and impact of the CSRD on organizational processes and structures in the context of an international audit and consulting firm due to their stated commitment and strategic integration of sustainability (see section [presentation of object of study](#)). The empirical method seeks to create a greater understanding of the perceptions of employees in sustainability leadership. Auditing, consulting and other internal positions within the company are explored with regard to their experiences or reflections on sustainable reporting and transition strategy. The conceptual framework applied, including Stakeholder Theory, Institutional Logic and Network Theory, is used to understand how the leaders interpret implications of the CSRD in the pre-implementation phase and how it is currently impacting organizational processes and structures.

To gather data needed to support the deductive study and exploratory purpose, qualitative data is collected using semi-structured interviews and organizational documents. This method is utilized to create a more holistic analysis of the selected organization’s perceptions and true practices. Semi-structured interviews are an effective method for this study because it allows a focused thematic structure with room for follow-up and investigation of different facets of interest that may arise (Silverman, 2015). This is done in a cross-sectional, short term study involving data collection at a specific point of time.

3.3. Data Collection

Eleven separate semi-structured interviews are conducted with different sustainability managers, consultants, auditors, directors, partners and other roles internal to the organization having a direct or indirect relation to (corporate) sustainability, policy and operations. Semi-structured interviews are used for an explorative purpose to gain deeper knowledge of employees' and experts' understanding of their own role in the organization and how they experience it in relation to the topic of the CSRD. Exploratory approaches are used to reveal new insights, empower curiosity and clarify the understanding of the researcher regarding the studied phenomenon (Bellamy, 2012).

Having various members and roles within the organization participating allows for a saturated level of perspectives and parallels to be explored. An [interview guideline](#) with open ended questions is developed based on the recommendations from literature (e.g., Rowley, 2012); as well as an interview overview document and consent forms, which are sent via email a few days prior to scheduled interview dates. The interviews are conducted separately, over Microsoft Teams. Each interview lasts between 25 and 65 minutes, as shown in table 1, and are both recorded and transcribed. All interviews were conducted in English, and any Dutch words or phrases that were used by participants were translated into English during the transcription process, ensuring that all data was collected in English. Finally, the researchers cross-referenced data from the semi-structured interviews and organizational documents to support analysis through identified theoretical lenses.

Table 1 - Overview of Interviewees

Interviewee	Role	Date and Length of Time
Interviewee 1	Corporate Sustainability Manager	April 25, 2023 (1:05:38)
Interviewee 2	Junior Sustainability Consultant	April 25, 2023 (32:35)
Interviewee 3	Senior Sustainability Consultant	April 26, 2023 (43:10)
Interviewee 4	Director Sustainability	April 26, 2023 (25:07)
Interviewee 5	Junior Sustainability Consultant	April 26, 2023 (33:09)
Interviewee 6	Senior Manager Sustainability	May 8, 2023 (40:39)
Interviewee 7	Senior Manager Sustainability	May 8, 2023 (36:42)
Interviewee 8	Director Sustainability	May 8, 2023 (37:35)
Interviewee 9	Auditor (ESG)	May 10, 2023 (32:21)
Interviewee 10	Director of Sustainability	May 10, 2023 (41:23)
Interviewee 11	Partner, audit (ESG)	May 11, 2023 (43:01)

3.4. Data Analysis

The data analysis process undertaken by the researchers involved two main steps. First, thematic coding was utilized to arrange the findings derived from the interview transcripts, on the perceived answers of Interviewees. Coding is effective in moving beyond descriptive meaning and applying it to theoretical foundations (Saunders, 2005). 923 first codes, 56

second and 7 third order codes were identified. Second, the identified codes were utilized throughout the research's analysis section to facilitate an in-depth comprehension of the topics and assist the researchers' analysis, as shown in the 'code tree' in [Appendix 6](#). This figure illustrates the overall themes retrieved from the codes. To aid in the coding process, the researchers employed Excel, Microsoft Teams Dictation and Transcription, and data visualization tools.

In order to enhance the validity and reliability of the study, the Gioia method (2004) was selected to code the transcribed interviews due to its compatibility with the research aim and methodology. The Gioia method is a commonly used approach for qualitative research, being effective because of its clear and structured approach that ensures the researcher can cover all relevant topics and identify patterns, themes and insights that emerge from the interviews (Watkins & Gioia, 2015).

3.5. Ethical Considerations

Prior to commencing the interviews, the researchers presented each Interviewee with a consent form delineating the interview's objectives and requested signatures for their approval. Additionally, the researchers took care to preserve the anonymity of the Interviewees and their affiliated organization. For privacy purposes the company cannot be named. To maintain contextual accuracy, quotes are transcribed from the interviews verbatim when referencing them in the research to ensure contextual accuracy. To ensure the dependability of data, these steps improve the dependability and credibility of the research findings.

3.6. Limitations

The research offers a unique perspective on the Stakeholder Theory, Institutional Logic, and Network Theory by incorporating insights from organizational, leadership, and other relevant concepts. The company under study operates in multiple countries, the focus is solely on its operations in the Netherlands, due to the greatest access to information for the researchers. While the Interviewees from Company X hold varying positions and personal biases, we specifically selected those who could provide valuable information for the study objectives. Due to logistical constraints, researchers conducted all eleven interviews over Microsoft Teams, which poses certain risks such as connectivity and technical issues. While virtual conversations limit the depth of interaction, our research design and use of verbal coding allow maintaining the gathering of relevant data. However, non-verbal cues, such as body language, may be missed during the semi-structured interviews, which may impact the direction of questioning and final outcomes.

While the CSRD standards are currently public as drafts, they are not yet finalized, meaning that there is a possibility of future changes. CSRD is European legislation that is mandatory to be adopted by all its member states. However, nation states may include additional legislation to the CSRD. Company X has already begun pre-implementing the directive. For this reason, this research solely captures initial experiences and perspectives on the topic.

4. Presentation of the Object of Study

This section describes the object of study for the research, Company X. It outlines the organization's corporate sustainability strategy, basic structure and current status on the CSRD. By analyzing Company X's preparation for the CSRD, this research aims to contribute to a deeper understanding of the role of businesses in achieving sustainable development in relation to the CSRD.

4.1. Company X

As explained, this research specifically focuses on Company X, located in the Netherlands and specialized in audit and assurance, tax and consultancy. Company X employs over 1.100 employees distributed over ten different offices. Company X operates under a global network with offices in 92 countries, the Company X Group. The corporate sustainability department, along with the executive board and the CFO, is responsible for (pre-)implementing the CSRD. The corporate sustainability team is embedded in the company structure as shown in figure 5. Company X has an executive board consisting of five partners that serve for a period of four years. Company X works with a partner structure, which means that the partners of Company X (58 in total, including the five partners of the executive board) are also Company X's shareholders. Each partner has their own portfolio of clients.

Company X claims that it is in the company's DNA to look after and contribute to a responsible and durable economy. They do this for their people and clients but mostly to build an organization for future generations. Company X wants to be a sustainable organization that aims to reduce the negative impact of its operations and increase positive impact of both the environment and the society they operate in.

To build a sustainable organization based on the purpose, mission and vision of Company X, the corporate sustainability team focuses on five pillars when implementing its strategy:

- Upholding the company's values of integrity and responsibility;
- Putting people at the heart of development;
- Reducing the company's environmental impact;
 - By committing to SBTi and Net Zero by 2030;
- Contributing to local communities;
 - Through Company X Foundation;
- Offering various sustainability services to clients;
 - Through audit, assurance and consultancy.

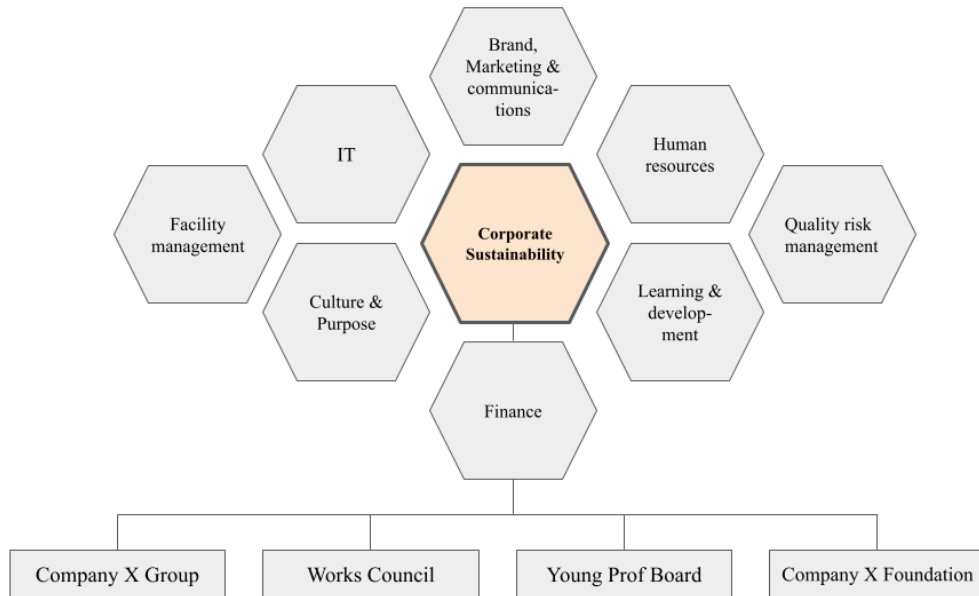


Figure 5: Internal Corporate Sustainability embedded in company X, obtained from official documents and made anonymous*

Since Company X has more than 250 employees and an annual turnover exceeding €40 million, they have to be CSRD compliant in 2025. Because of this, and because of the fact that company X is a service provider that provides sustainability services to clients (like the CSRD gap analysis), Company X finds itself in the pre-implementation phase of the CSRD. They have recently identified all their stakeholders, visualized in a stakeholder map presented in [Appendix 3](#). The next steps are conducting the double materiality assessment, which has recently started by sending out stakeholder surveys and sending out invitations for stakeholder dialogue sessions with a select group of stakeholders.

*Note: As Company X is anonymized, this section does not include APA referencing. Information included in this presentation of object of study is derived from Company X' Annual, Transparency and Sustainability reports published in April 2023.

5. Analysis

This section presents the empirical findings derived from the eleven interviews. After coding, seven overarching codes/themes have been identified: (1) Views and Motives on the CSRD, (2) Advantages, Challenges and Risks of the CSRD, (3) Stakeholder Engagement Processes, (4) Organizational Processes and Structures, (5) Learning and Development, (6) Collaboration and Communication and (7) Internal and External networks. Quotes from the interviews are added to support the identified themes. All seven themes and their findings will be explained deliberately, after which theory will be applied in the next chapter ([discussion](#)). All overarching themes and interconnections are displayed in a ‘code-tree’ presented in [Appendix 6](#).

5.1. Views and Motives on the CSRD

Views on the CSRD

The Interviewees' views on the CSRD reflected a general sense of being overwhelmed by the extensive information and confusion arising from ambiguous aspects within the directive. However, they also identified the potential business opportunities that the CSRD presents for Company X, as companies are now compelled to comply with sustainability standards rather than having the option to do so. Almost every Interviewee describes their views on the CSRD as overwhelming because of the enormous amount of information that is presented (Interviewee 5). Furthermore, being described as confusing because of the ‘gray areas’ (Interviewee 6) within the CSRD that still need to be further explained, or because some subjects are multi-interpretable (Interviewee 2). However, because of this ambiguity and time frame, in the upcoming years, lots of clients of Company X are, or will be required to comply with the CSRD, which Interviewees saw as a market opportunity. As stated by Interviewee 7, *“CSRD gives a lot of opportunities, business wise, because companies now have to move: it's not a choice anymore.”* Meaning that employees are aware and perceive that the CSRD may hold a large business opportunity for Company X in terms of delivering sustainability services to clients.

The CSRD poses challenges for both Company X and other client companies in terms of reporting non-financial data and establishing the necessary transparency structures. Interviewees describe how the CSRD targets a large group of companies who are not used to reporting non-financial data (Interviewees 2, 3, 10), requiring significant work to collect the data. Those companies are perceived as not adapted to the transparency needed for the CSRD reporting and will most likely not have structures in place to write a ‘CSRD-proof’ report right away (Interviewee 2). The same goes for Company X itself, although it is explained how Company X has been reporting on non-financial data in the past by publishing separate sustainability reports. Interviewees foresee lots of work to be done in collecting the data asked for in the ESRS (Interviewees 1, 3, 8). However, it is stated that lots of processes and

structures that need to be reported on in the CSRD are already there but might need to be adjusted to be able to provide the large amounts of reporting data that is needed (Interviewee 1).

The double materiality assessment is identified by all Interviewees as a starting point for the CSRD reporting and some highlighted the need for substantial resources and seeking internal and external advice to ensure compliance (Interviewees 10, 11). Most of the Interviewees describe that they first heard of the CSRD about two years ago and realized from the very beginning that the directive will have a huge impact on large numbers of companies, including Company X. Interviewees explain that Company X is currently in the pre-implementation phase of the CSRD because it is identifying its material topics by doing a CSRD gap-analysis and sending out stakeholder surveys for the double materiality assessment (Interviewees 1, 4, 7, 10). They explain that this process requires a lot of resources to comply with the CSRD and both internal and external advice is deemed needed in order to know if you are doing the right thing (Interviewees 10, 11). The overall view of complexity, as well as the fact that the final drafts are not yet published, creates large feelings of uncertainty. However, some Interviewees claim that they feel that Company X had time to prepare and is now ready to take the first steps, all knowledge needed is said to be in-house (Interviewee 7).

The CSRD in general is seen as a step in the right direction, some Interviewees even state that they wanted a change like this to happen a long time ago (Interviewee 3). When explaining the preparation process, Interviewee 5 describes it like *“you are trying to sort of shake the tree and go: hey, guys, listen, I have something very important to say, and ... people aren't quite listening.”* This summarizes the sense of frustration that may arise if clients are not yet taking action in order to prepare for the CSRD. Some Interviewees even expect that some companies will wait until the very last minute to take the necessary steps (Interviewees 1, 2, 5, 6). Overall, Interviewees are certain that Company X is aware of the impact that the CSRD will have on their organization but foresee challenges in the directive, which will be discussed later.

In delivering their services, Interviewees acknowledge the responsibility that Company X carries through their clients. Interviewees explain that employees have to be aware of this responsibility. Interviewee 8 distinguishes that, *“where we can have the biggest impact is through our employees. I mean, we have a seat at the table at so many organizations and we are sparring partners for a lot of management of boards.”* Thereby, with the CSRD, Company X has the opportunity to not only make their own organization more sustainable, but to help other companies to do the same. This underlines the impact that Company X can make through its people (Interviewees 1, 8).

Motives on the CSRD

Various motives can be identified regarding the engagement with the CSRD, including recognizing it as a market opportunity for Company X, the presence of financial incentives tied to compliance and sustainable performance, and the impact on talent attraction and retention. As mentioned in the above views section, the CSRD can be seen as a market opportunity for Company X. Alongside this, companies are now mandated to comply with the CSRD, creating their own motives which can make a difference in their effort and approach to report in conformity with the directive. Consultants and auditors can serve clients by helping and guiding them with reporting and auditing their CSRD reports (Interviewees 1, 8, 9, 11).

Another motive for Company X that may affect their approach towards the CSRD, may be the financial impacts that will arise from not complying or reporting results that are below average in comparison to other similar companies. Since sustainable performance will now have to be presented in the same report as the financial information, investors may push Company X towards making more sustainable decisions (Interviewees 2, 3, 5, 6, 10). Beyond that, financial incentives can also come from clients who ask for certain sustainable targets or actions when it comes to working with certain organizations. *“The whole regulation is made for pushing the financial power down the chain from the stock exchange funds, to large organizations”* (Interviewee 11). This describes a broader objective of potentially obtaining financial benefits for Company X, both in terms of investor confidence and client relationships. The combination of regulatory requirements, investor expectations, and client demands creates financial incentives for companies like Company X to adopt more sustainable decision-making processes and practices. They identify that through integrating sustainability into their operations and reporting, they can enhance their financial performance, maintain a competitive edge, and meet the evolving expectations of stakeholders in the changing regulatory landscape (Interviewee 10).

Furthermore, due to the transparency of the CSRD, it is perceived by multiple Interviewees that the sustainable performance of a company may have a large impact on attracting and retaining talent (Interviewee 1). As described by Interviewee 10, they *“think there will be a shift if a company embraces CSRD. It will have a personal effect as well. Not everyone, but people will think more about their choices.”* In other words, due to the transparency, individuals will be more aware of their choices, including company workplace identity and legitimacy, determined by how well they perform on these new sustainable reports.

5.2. Advantages, Challenges and Risks of the CSRD

Advantages of the CSRD

Several key advantages of the CSRD, including the shift from intrinsic motivation to mandatory reporting, the increased transparency enabled by the directive, and the potential

financial incentives resulting from transparent and benchmarkable sustainability performance, were identified through the interviews. As discussed, the CSRD makes sustainability reporting mandatory, shifting sustainability from a concept for those with intrinsic motivation to a report that will be audited by an accountant (Interviewees 3, 7, 10). This expands the motives and target group to report on sustainability.

An advantage perceived by a large number of Interviewees is the increase in transparency. For Interviewee 9, “*sustainability is about transparency*” stating further that they believe “*it's really important that companies disclose how they do it.*” This was within the context of CSRD requiring transparency of a large group of companies in Europe, which is an advantage when trying to achieve the EU climate goals to curb companies’ impact on the environment. It was also identified that the transparency and integrated reporting required similarly impact financial incentives. This is highlighted by Interviewee 2,

“I think the main benefit is between organizations- creating a level playing field with the same indicators, the same measurements, the same procedures. Then, you can actually benchmark. So, on one end is transparency and on the other hand it's benchmarking, that should automatically follow up to reductions in emissions or improvements of policies.”

This may cause investors to shift their focus to other companies if the companies they work with turn out to not be the sustainable frontrunners they claimed to be. This is because the level of transparency will enable investors or clients (stakeholders) to benchmark the sustainable performance of a company to other companies that offer the same products and services. This also applies to Company X.

Challenges of the CSRD

From the interviews, the implementation of the CSRD poses significant challenges, including the lack of clarity and standardization, the need for consequences and financial incentives, the balancing of breadth and focus, and the management of the digital transition, which must be addressed to ensure its successful integration into sustainable reporting practices. As companies are responsible for their own double materiality assessment, this will determine the reported topics. It is predicted that it will take a few years to find patterns of material topics for certain sectors (Interviewee 5). This is also translated into the development of high-quality auditors that have increased knowledge on the, up until this point ‘vaguely described’ (Interviewees 1, 9), topics of the CSRD and ways in which a double materiality assessment should be conducted. In a sense, “*Everyone is ready, but no one is ready*” (Interviewee 10). Furthermore, the ESRS sometimes are described as multi-interpretable (Interviewees 1, 10). This may hold challenges in creating benchmarkable reports among sectors to build on in following years. The uncertainties that are still standing due to non-finalized drafts and multi-

interpretable standards will be a challenge for Company X and other companies offering similar services.

Currently, there are no consequences for companies when they do not comply with the CSRD or are improving their performances in the ESG domain. In order for companies to make progress, consequences are perceived to be needed. These consequences could be found in legislation and financial incentives. Financial incentives will in this case also be a big factor in making the CSRD effective (Interviewees 2, 3, 5, 10).

The broadness of the CSRD and ESRS are described as both a blessing and a curse (Interviewees 1, 5, 10). As the ESRS are covering lots of topics in the ESG domain, some say this broadness is necessary (Interviewee 8), others explain the broadness can cause defocus (Interviewee 10). A challenge for Company X will be to keep the end goal of the CSRD in mind, which is pushing companies forward in their sustainable transition instead of it becoming a massive administrative burden (Interviewee 3). Another challenge that was identified is that of digitalization. As summarized by Interviewee 3, *“we have to be careful if we now have created an enormous monster of reporting and data collection that would take away all the time or room from creating real impact.”* This reveals that digitalization is perceived as a key element in the CSRD, because it reduces enormous investments in time from employees gathering data to increase making a sustainable impact and ‘making a difference’ (Interviewee 3). How Company X will be able to manage the digital transition together with sustainable transition holds a huge challenge.

Risks of the CSRD

The main risks outlined by interviews in relation to the implementation of the CSRD include the potential of greenwashing, resource limitations, and the limited awareness or understanding of the CSRD internally, which may hinder progress and decision-making. A generalized risk is whether or not the CSRD as it is presented right now, will serve its end goal. Interviewee 10 states, *“it is questionable if it's all contributing to the actual goals you want to reach”* when referring to the CSRD. Some Interviewees are worried that the CSRD could become the biggest greenwash scandal in European history if not executed with the greater purpose in mind (Interviewee 3). There is a prediction from Interviewee 5 that *“in the first couple of years we'll probably see a couple of scandals with a couple of companies that turned out to have either fake data or exaggerated data.”* This reveals that the Interviewee is concerned that companies may mislead so non-sustainable companies seem more sustainable.

The CSRD holds risks in terms of resources, especially for organizations that might not have the resources available to be able to comply with the CSRD in the near future. *“Within companies, you see that sometimes CSRD is the responsibility of a trainee or just one person or two persons. That's not going to cut it anymore because there's a huge workload,*

knowledge and expertise needed” (Interviewee 2). For instance, one example given was not being able to hire employees with the needed capacity to help with implementing the CSRD (Interviewees 1, 11). Adding up to this is the enormous ‘fight for talent’ or attracting employees in the current labor market. Not finding or having the people in-house to be CSRD proof might hold major risks (Interviewees 7, 10). Lastly, the awareness of the CSRD within the executive board of companies, including Company X, might be a risk as well, since time urgency needs to be understood.

“Board is also for me, I wouldn't say the hardest thing to convince, because it sounds too heavy. But there I have to really set up a plan of action to take CSRD further to what I think would be good for our organization, while with younger people I have to do that much less so, they understand that better... perhaps.” (Interviewee 11)

As explained by multiple Interviewees, the board consists of older generations by which sustainable changes pushed because of the CSRD may get more resistance. Further emphasized by Interviewee 1, they state *“it's not that I can have an in-depth discussion with them [executive board] about the CSRD topic.”* Overall, while the executive board is actively participating in double materiality assessment due to policy requirements, in-depth knowledge of the CSRD is not obtained at this point of the pre-implementation phase.

5.3. Stakeholder Engagement Processes

The double materiality assessment, and thus stakeholder engagement processes, is perceived as the starting of the CSRD, which determines the topics a company will report on by almost all Interviewees. Several Interviewees claim that by the double materiality assessment, stakeholders have immediate and direct impact on Company X’s strategy. As Interviewee 6 expresses, *“We're having a deep dive into our stakeholders. Who they are and what they think is important.”* This highlights the importance of properly executed stakeholder engagement processes.

Company X executes their own double materiality assessment and forms this process by organizing an online survey, stakeholder workshops and in-depth stakeholder dialogues. This process involves both internal and external stakeholders. In the interviews it is emphasized that operational staff should be actively included, as well as employees from various departments (Interviewee 1). This might increase knowledge on internal processes which will help in having operable processes in place that comply with the CSRD.

Consultants at Company X guide clients with their double materiality assessment and thus help companies interact with their stakeholders. Stated by Interviewee 1, *“External stakeholders are actually challenging us as a firm. Clients or possible clients like prospects are asking for sustainable information. It's on the climate, social, our workforce, they really*

ask us in RFP [Request For Proposal] about this information. So that's I think also a game changer.” The interpretation of double materiality is that with the inclusion of the greater supply chain, client’s stakeholders may ask them to provide information on their supply chain in order to report on this, translating into Company X’s sustainability performance. Stakeholder influence and stakeholder engagement are thus very important parts of the CSRD.

5.4. Organizational Processes and Structures

Organizational Structures

The complexity of the CSRD has highlighted the importance of defined and intensified structures to collaborate. The Interviewees reveal three different teams within Company X working on the CSRD, namely auditors, sustainability consultants and internal corporate sustainability, further referred to as ‘Triad’.

This Triad, visualized in figure 6, impacts the organizational processes and structures of Company X with the main driver being the CSRD. These three teams work independently and collaboratively on the CSRD depending on their roles in the organization. It is also identified that these internal teams learn from each other and use the internal network of Company X to develop their work and understanding in relation to CSRD. The communication and collaboration in the Triad within Company X have intensified, as an indirect consequence of the CSRD, as described in the following section, Learning and Development.

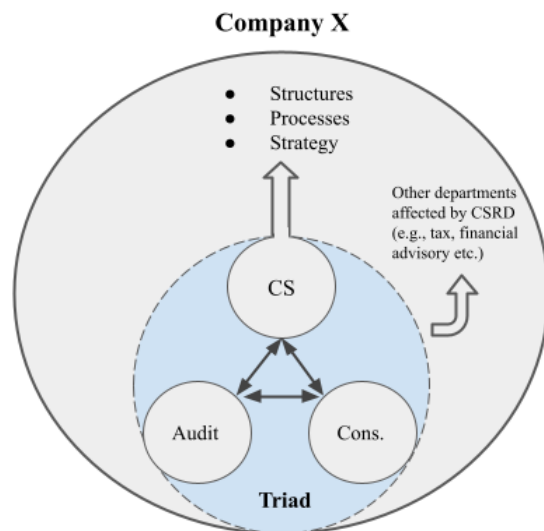


Figure 6: Internal Triad

Strategy

Interviewees highlight the importance of a proper strategy, since this will impact Company X’s structure. Almost all Interviewees mentioned that sustainability should be integrated in the general strategy of Company X, instead of it being a separate sustainability strategy. Interviewee 10 states that “Sustainability starts and ends with the strategy and makes it an integral part of the whole organization. When sustainability is not in strategy, it comes down to shareholder value and this is mainly financial focused.” This highlights how sustainability and strategy can empower each other to integrate sustainability in the organization’s structures and processes. Going on, Interviewee 10 said that, “you can’t have a sustainable business if it’s not pushed through all the layers and departments of an organization. ... Not just on the topic and the subject matter expertise, but also how to embed it in their

organization.” The idea of embeddedness and integration of sustainability was a common theme for how the CSRD is viewed. Interviewee 1 described that the CSRD has already impacted the way Company X views their strategy as a whole. As addressed, in the coming year, Company X has to rewrite their strategy for the upcoming four years. It is emphasized how the topics presented in the ESRS will serve as a strong guide in developing the next strategy (Interviewee 1). Others argue that the baseline of the strategy will not change, but the nuances and goal setting might be specifically directed on sustainability. This consideration highlights the importance of first executing the double materiality assessment before strategy is written.

Processes

The implementation of the CSRD is viewed by Interviewees as impacting Company X's processes, particularly when integrating sustainability into its overall strategy, requiring adjustments and the development of internal policies. Interviewee 1 echoes other Interviewee perspectives when stating that it *“is going to be the next step for us with all the different departments ... What we have to report on, what is in place already, and what is not. [The internal] policies we have to develop or to write down to comply with the CSRD.”* Meaning, the processes of Company X will be affected by the CSRD, especially when sustainability is integrated in the general strategy. While some processes are already in place, they might need adjustments in order to cover the subjects asked for in the CSRD. For instance, decision making processes will be affected by the CSRD, since the ESRS requires those processes to be adjusted to the content of the CSRD.

With the novelty of the CSRD, the organizational responsibilities shift for multiple internal roles, including the executive board, partners and specific teams. The executive board is responsible for broadcasting the relevance of sustainability to Company X's partners as they are responsible for sharing the urgency and knowledge on the CSRD with their clients and teams (Interviewee 8, 9, 11). There is a certain tension tied to this responsibility, since not all partners will feel the need or want to share the sustainability knowledge and developments with their clients (Interviewee 9). As some partners may not be aware of the impact they can have through their clients, this will be limited. However, as Interviewee 8 explained, most employees want to add value to society, which becomes a driver for implementing sustainability processes.

5.5. Learning and Development

The reporting according to the CSRD will be a continuous learning and development cycle where room for trial and error is necessary. Stated by Interviewee 4, *“if you lead this improvement cycle, we will learn that some procedures have to be set up from scratch. Some others have to be well improved just a bit. And by performing this learning cycle ... that will be our aim.”* The CSRD market has to mature as it is important for Company X to get a head

start. Taking advantage of the additional time is seen as important as it takes a few years for companies to get used to the double materiality assessment and the CSRD and for auditors to develop their auditing on those analyses and reports (Interviewee 5).

Companies will need to develop their own process, however sectors are expected to increase collaborations and thus learning from other companies in the same sector will increase as well (Interviewee 2, 7). For instance, companies can learn from other double materiality assessments, to know what is material for similar companies within the sector. This development is found highly recommended for all roles involved with the CSRD (Interviewee 1, 2, 7). However, resources are needed to learn and develop internal skills on the CSRD and to set precedence. This learning and development process requires significant resources and investments, including time for training, external specialists and new structures within the company.

Cross-departmental learning

Most of the learning on the CSRD is currently perceived through training, workshops and meetings (i.e., ‘Monday sessions’), where the CSRD and its additional facets, like the ESRS and double materiality assessment are explained and analyzed. During meetings within the company, individual thoughts and knowledge are shared and because of the open atmosphere of Company X, employees are not afraid to ask for help on the elements of the CSRD they do not understand (Interviewee 8).

Due to the CSRD, internal playing field levels are shifted (Interviewees 8, 11). As explained in terms of risks, sustainability is described as a topic where all levels and ages have different knowledge and experiences (Interviewees 8, 11). This shows it is perceived valuable to have a diverse skill set and team dynamics within the company when working with the CSRD. Most employees of Company X want to give the younger generation room to share their unique knowledge and views on sustainability (Interviewees 8, 11).

Specialization

Interviewees highlighted the importance of specialization within certain topics presented in the CSRD and ESRS. Expressed by Interviewee 7, “*we have a broader spectrum of companies that we can help because of the specialism we provide.*” Specialization will make sure that Company X will be able to provide services on a diverse set of standards presented in the directive. This will not only be beneficial in the number of clients that can be served but also in aiming to be a frontrunner in their service offerings. Because of the broadness and complexity of the CSRD from various material topics, specialization in certain topics is highly recommended. Not only to understand the topics and have clear communication with clients, but also in service offerings and quality (Interviewee 10).

Digitalization

As discussed earlier within challenges, digitalization is mentioned as a major development topic for organizations like Company X to prepare themselves appropriately for the CSRD. Without digitalization, administrative tasks could be experienced as a burden to comply with the CSRD and will take away from the end goal (Interviewees 3, 10), therefore identifying as an important part of the pre-implementation phase. *“There are already a lot of reporting lines in place based on GRI. So, of course Company X needs to step up. Every company needs to step up here, but there is already something in place where the employees that are part of data collection are part of this process”* (Interviewee 8). As these structures have to be in place and employees need to know how to properly interact with it in order to run a smooth CSRD process. As a lot of data collection is required to analyze in order to report on the CSRD, internal cross-department communication will promote this process. Besides that, collaboration with stakeholders in the organization’s supply chain is needed, for all of which digitalization can hold promising results (Interviewee 8).

5.6. Collaboration and Communication

Both within specific working groups and other service lines, collaborations are launched in order to provide sustainability. The Monday sessions (see Learning and Development) where the Triad meets, is a direct instrument to learn and is introduced to indirectly create a structure for internal auditors and consultants to find each other and collaborate (Interviewee 11). A major secondary advantage of those sessions is that it strengthens connections between the colleagues, so they feel at ease to talk about and ask questions on the CSRD and the material topics (Interviewees 8, 11).

A language gap is described between financial and sustainability focused employees. Interviewee 2 expressed that, *“it also requires a consultant to look through the lens of an accountant and vice versa. ... You [have to] speak the same language.”* In order to collaborate on sustainability, the employees and especially those active in the Triad need to have a common understanding and terminology of sustainability. With different backgrounds, education and day-to-day tasks, this must be integrated and communicated during working groups and projects to navigate within complexity (Interviewee 6).

Besides knowledge, Company X identifies they have to build a repertoire of internal collaborations for clients where auditors and consultants develop their sustainability expertise. Company X feels they are leading by example for the CSRD, as expressed by Interviewee 11 in this subject they gave the example that, *“I cannot be a dentist with black teeth.”* Here it is clear that with the addition of the CSRD, there is already greater communication with external groups and there is a want for legitimacy. One way that was identified of doing this was through collaborating on projects with employees from different departments. As it is seen as more effective than only meetings with different service lines.

A core team is still important, but experiences are applicable right away and learning will come easily (Interviewee 8). That is why Company X provides their own double materiality assessment, the CSRD gap analysis, and will also write their own report on the CSRD.

As Company X is aware of the fact that they do not own all the knowledge on the CSRD, they see the value of external collaboration. *“We are connecting with organizations that can provide digital reporting services that can provide tools to create better materiality assessments. So, we are collaborating externally, as well as internally”* (Interviewee 3). Moreover, the CSRD has some very specific elements, which will only occur in very specific cases with clients or their internal corporate sustainability. For some elements, like biodiversity and carbon, it is significant enough to have their own in-house specialists. On other topics, like marine or water hydrogen, Company X will hire specialists when those topics occur, and specialization is temporarily required (Interviewee 10).

5.7. Internal and External Networks

Internal and external networks will complement the CSRD process for various reasons. As stated by Interviewee 3, *“we [departments within Company X] will need to find new ways to collaborate together and realize that we will not be the only one knowledgeable about stuff, but need to source all kinds of different knowledge.”* To start off with the internal networks, Interviewees claim that Company X has reinforced an internal network which is previously described as a Triad including all three teams actively working on the CSRD. This way, knowledge is not only shared and gained within teams, but collaborations will be created with other teams. This means that employees will increase their knowledge with certain sustainability topics that they weren't informed about before. In-house specialists will also work on the CSRD projects for clients, so specific knowledge is shared internally and externally.

Company X utilizes external networks, because of the advantages that it provides for organizational learning and collaboration. Summarized by Interviewee 6, *“It needs to have a lot of knowledge and we need to find each other very easily in a way.”* As an example, given to counter this challenge through knowledge sharing, Company X is part of a working group of the EFRAG (European Financial Reporting Advisory Group) to discuss the CSRD forthcoming and drafts. For this reason, Company X influences the ESRS as they are writing and analyzing in the working group (Interviewee 11). Being a part of this working group also gives the advantage of being the first to know about developments within the CSRD and ESRS (Interviewee 9). Since the CSRD is new for everyone, companies can also learn from other companies and collaborate on for instance the double materiality assessment. Company X is aware of the importance of branch organizations where knowledge and experiences are shared. As explained by Interviewee 7, there is an advantage in connecting with companies who are going through the CSRD implementation phase as well through external networks.

Even though membership costs of specific network organizations might be high, Interviewee 7 states that the benefits of these networks outweigh the resources needed.

6. Discussion

This section will discuss the main findings from the research and apply theoretical perspectives and the conceptual framework to advance the current understanding of the subject.

6.1. Stakeholder Theory

Stakeholder Theory suggests that organizations should consider the interests and perspectives of all relevant stakeholders, including those who are affected by or have an interest in the subject of matter (Freeman, et al., 2010). Understanding stakeholder motives and views is essential for effective CSRD implementation. The motives and views of stakeholders on the CSRD, as identified in the analysis, provide insights into their expectations, concerns, and motivations. This supports Freeman (1984) by underlining the need to understand stakeholder perspectives and incorporate them into corporate social responsibility and sustainable development strategies.

Conflicting interests and priorities

As mentioned by Phillips et al., (2019) the Stakeholder Theory recognizes that stakeholders may have different interests and priorities, which can create significant conflict and difficulty for the organization to satisfy everyone in their sustainability report or in the process in advance of the report. Stakeholder Theory acknowledges that managing stakeholders can be time-consuming and costly for organizations (Phillips et al., 2019). However, advocates of the theory argue that the benefits of increased trust and loyalty from stakeholders outweigh the costs (Friedman & Miles, 2006). The investment in engaging stakeholders through the change process is supported by the analysis seen in the different perceived perspectives on sustainability of the executive board compared to other levels within Company X (Interviewees 1, 7, 10, 11).

The stakeholder's approach is complex, but proponents argue that it has many opportunities that can lead to a more collaborative and inclusive stakeholder engagement process, where all stakeholders have a voice and are involved in shaping the direction of the organization (Phillips et al., 2019). Dialogues and collaboration between the organization and all stakeholders could help overcome dissatisfaction of the process and outcome in the report, as Company X does in their stakeholder dialogues and by providing professional learning events.

Double materiality

The analysis suggests that stakeholder engagement is crucial in the pre-implementation phase of the CSRD, specifically highlighted within the double materiality assessment, which is

conducted in collaboration with internal and external stakeholders. By considering the interests and impacts of various stakeholders, organizations can effectively implement the CSRD and make informed decisions. According to Phillips, organizations should strive to create value for all stakeholders, including multiple non-financial factors (2019). Since double materiality is perceived as the starting point of the CSRD, stakeholders are involved from the start as well. By involving stakeholders from the start, their valuable input on financial and non-financial matters, will form the material topics for the report and indirectly integrated with the strategy of Company X.

With the new double materiality concept, the reporting focus shifts from only financial (traditional/single materiality) to both financial and non-financial disclosure (double materiality). This could be explained by how stakeholder engagement processes shift from shareholder to stakeholder focused. Jones and Harrison suggest that an organization should be accountable not only to its shareholders but also to its employees, customers, suppliers, communities and other stakeholders who may be affected by the company's actions (2019).

Boundaries of an organization

An important aspect of the Stakeholder Theory is defining organizational boundaries and determining who qualifies as a stakeholder (Phillips et al., 2019). As Company X has identified their stakeholders (see [Appendix 3](#)), the organization should state the company's identity and set boundaries for stakeholder engagement processes. The lack of clarity might pose challenges on prioritizing stakeholder interests and implementing the theory effectively. However, Phillips et al. argue that this should be seen as an opportunity to "revaluate both what constitutes a firm boundary and what it means to be inside or outside" (2019, pg. 3). This allows flexibility and adaptation to changing circumstances. Boundaries of reporting determine the company's activities and thus what activities are expected to report on (Phillips et al., 2019). As Company X deals with various clients, they must decide how this will be included within their reports in a standardized way, supporting the previously laid out critiques in the theory.

6.2. Institutional Logic

Adapting to institutional environments and change

IL theory emphasizes the underlying value systems that drive organizational behavior and the response to stakeholder demands (Thornton et al., 2013). This is identified in the changes to Company X's internal processes and structures, driven by the CSRD, which focuses on various sustainability values. This finding supports the theory by demonstrating how organizations adapt their structures and processes to align with prevailing Institutional Logics, in this case, the Logic of Sustainability (Jepperson and Meyer, 2021).

The analysis highlights the underlying values and motives that the CSRD and sustainability holds through the recognition as a market opportunity, a financial incentive, and the impact on talent attraction and retention. The interpretation of the CSRD as providing various opportunities given the tie to policy compliance and sustainable performance, outlines the market in which Company X operates within. This echoes Thornton and Ocasio (1999), who suggests that organizations are embedded within institutional environments characterized by different logics, representing sets of values, beliefs, and rules. In this study, the change in political environment, through the introduction of the CSRD, re-defines organizational processes and structures.

As IL is a way of understanding how organizations behave and strategic decision-making in relation to upcoming regulations, the theory characteristics outlined by Thornton et al., (2005) revealed in the analysis that, in relation to Company X, this includes strategy bases and structure overlap. Analyzing these characteristics helps understand the process of organizational change within IL by exploring how different logics provide rational explanations for decision-making (Lounsbury et al., 2021). As Company X has expanded their service lines with sustainability alignment, this explains the various impacts that the CSRD can have on organizational structures and processes. Aligning practices with dominant sustainability logic to ensure coherence, focus strategy and reducing uncertainties. This insight from the analysis is in agreement with Lounsbury and Boxenbaum, when stating that an overarching logic can assist in how organizations manage complexity (2013). Here the focus on quality of service and the opportunity to position Company X as wanting to lead in sustainability indicates the Institutional Logic of building reputation and legitimacy through the CSRD.

Integrating Sustainability Strategy

Values help companies navigate change, since it outlines core values of sustainability and potential improvements, which could be helpful during the pre-implementation phase of the CSRD. As argued by Silva and Figueiredo (2017) in ILS, sustainability is founded on common shared goals that guide how sustainable organizational practices emerge. Through the analysis, this common goal is seen as a side-effect of the pre-implementation phase of the CSRD. The main objective being able to comprehend and write the report effectively and comply with the CSRD. Additional effects of this process are a growth in knowledge on sustainability on all levels of the organization and changed structures and processes due to the CSRD. Furthermore, the identified Triad provides a departmental example, fitting within the IL theory as it displays that Company X's internal structure and communication lines changed to respond and interpret their expectations from the CSRD to fit the new demands of the institutional environment. Thus, providing insights into how institutions shape organizational behavior and decision-making processes, particularly during periods of change (Lounsbury & Boxenbaum, 2013), and ultimately assisting Company X in navigating complexity.

Due to the CSRD driving the enabling of new practices, structural changes, and organizational actions that support sustainability, it therefore reflects the concepts of ILS. From the understanding of Silva and Figueiredo (2017), sustainability is therefore both a cause and a consequence in the context of the CSRD. Seeing that the CSRD provides a social value from the analysis (Interviewee 1), it goes beyond the material topics and becomes perceived as deeper organizational value and strategy that is shared across Company X. This aligns with ILS research as sustainability practice is defined as a continuous repetition that drives change and is supported by the technical and functional aspects of an organization (Silva & Figueiredo, 2017), because material values from double materiality are perceived as expanding beyond this.

As figure 3 in chapter 2 outlines, the framework for Development of an Institutional Logic of Sustainability (Silva & Figueiredo), within an organization as an ‘immersion process of change’ (2017, pg. 3). Within the analysis, it is expressed that learning from the CSRD is a continuous learning cycle, due to the many versions, organizational changes and knowledge that must be gained overtime (Interviewee 4). Within the original development of the ILS framework, the driver is indicated as institutional entrepreneurs to spark various action cycles that lead to ILS over time. In the case of Company X the driver for innovation and this event sequencing is the CSRD policy. This goes against Silva and Figueiredo’s structure on ILS drivers of change and argues that it should be expanded to include other catalysts for this sustainable change.

Furthermore, in this framework, sustainability practice is both a starting point and result of several practices that stimulate the new logic of ILS (Silva & Figueiredo, 2017). It is identified through the analysis that double materiality is where organizations need to start in the CSRD process, identified by a significant number of interviewees. This furthers the contribution to this theory and supports the argument for expansion of drivers (i.e., institutional entrepreneurs to also include regulatory and legal requirements) affecting organizational structures, as the CSRD is seen as a learning process with multiple iterations of trial and error (Interviewee 4). In the pre-implementation of the CSRD, it has sparked discussions and created new organizational structures for Company X that have helped to begin the legitimization of sustainable values as a way of expertise. Thus, also sustainable integration into organizational structures, meaning this could be the start of the creation of a new dominant logic of sustainability for Company X, as the beginning iterations are reflected in the ILS framework.

As ILS is a newly developed sub-concept within Institutional Logic, a widely recognized framework in sociology and organizational studies, some of the same criticisms can apply and are reflected in the analysis. Most prominently is that this theory places too much emphasis on conformity to rules, which can lead to a lack of innovation and change within organizations (North, 2006). This was identified in the analysis, as interviewees shared their

views, and outlined challenges and risks with the CSRD, revealing that there are informal methods of innovation through communication channels internally and externally to the organizations, however it is difficult to formalize when needing to translate information through the hierarchy for the CSRD and sustainability to be seen as important for strategy. This connects to the second major critique which suggests that this theory can ignore power relations within the organization which limits the explanatory power when understanding complex dynamics of organizations and the interactions between actions within them, which the streams of work on Institutional Entrepreneurship and specialized Institutional Logics have sought to address (David, et. al., 2023). In the analysis we see that there is a push to lead by example (Interviewee 11), however this is difficult when trying to communicate this through the top of the organizations (i.e., executive board and some partners). This supports the Institutional Logic theory, as similar limitations were revealed in the change process.

6.3. Network Theory

As described by Borgatti and Halgin (2011), the phenomenon of ‘homophily’ means that nodes are likely to interact with nodes that are similar to themselves. In the case of Company X this means that they are forming connections with companies that are currently finding themselves in the pre-implementation phase of the CSRD as well. Interviewees have explained that this can either be done via branch organizations, network organizations or working groups, for example their relationship with EFRAG.

Granovetter’s (1973) theory of strong and weak ties applies to Company X in various ways. The theory suggests the value of weak ties, where weak ties are likely to provide novel knowledge and nodes that are connected to weak ties play an important role in the network. When we apply strong and weak ties to Company X internally, different departments (Triad) that are involved in Company X’ the CSRD pre-implementation phase, have increasingly been working together. With this, they emphasize the strength of weak ties by connecting teams that usually scarcely participated in sharing knowledge prior to the CSRD implementation. Granovetter (1973) claims that getting a connection with a node outside your own cluster of nodes has a benefit in being provided new information. This is occurring in Company X because all three teams within the Triad are sharing knowledge to be able to ‘speak the same language’ (Interviewee 2).

The increased interaction within the Triad also connects to the theory of structural holes. This second theory that is discussed is that of Burt’s (1992) claiming that occupying structural holes in social networks hold many advantages. The more connected the cloud surrounding nodes, creates large information advantages. Making sure that structural holes within networks both internal and external are filled with an employee of Company X will have its benefits. This applies to Company X in the sense that internal structural holes are filled by organizing interactive sessions as well as making sure that Company X is represented in

working groups. Being a centralized node within various networks may have advantages for company X, e.g., effectively, timely and accurately dealing with pressure from stakeholders. Another advantage of increased internal network density is increased levels of information sharing and behavioral changes within the network. Further intensification of the Triad and eventually rolling out the CSRD practices within Company X will make the network density of Company X go up, meaning that increased levels of information sharing will be visible. This is deemed extremely important by Interviewees considering the fact that the CSRD will cover all layers and departments of the organization.

When taking a closer look at theory regarding external networks, the findings in the analysis show that activity in external company networks may lead to innovation. The CSRD is perceived as a directive that asks companies to adjust and innovate in order to be able to comply. The importance of external network organizations is not underestimated by Interviewees. Nevertheless, it is explained that even though costs of certain memberships might be high, the advantages will outweigh this. External network information will give access to a diverse set of information and thus be helpful in the pre-implementation phase that Company X currently finds itself in.

6.4. Interconnections and Synthesis - Exploring Theoretical Relations

Organizational identity and its sources - Stakeholder Theory and Institutional Logic

Institutional Logic emphasizes the impact of normative pressures from the broader social and cultural context (Freeman, et al., 2010). This includes characteristics in organizational settings, as Institutional Logic highlights the conformity to prevailing norms and values in order to establish a distinctive identity that aligns with it. Stakeholder Theory adds on to this by explaining how stakeholder engagement processes will improve when organization's boundaries are set clear (Phillips et al., 2019). Those boundaries could also find their origin in the Institutional Logic of the company.

The Institutional Logic highlights the effects on a certain organization through their structures and processes which are formulated by internal logics (Jepperson and Meyer, 2021). This complements the Stakeholder Theory where the stakeholders are affecting an organization through their personal interests (Freeman, et al., 2010). In this case, through double materiality assessment, stakeholders have the ability to affect the company's material topics presented in their report. This will indirectly affect the company's strategy since processes and structures need to be in place in order to report on those topics. This interconnection highlights the various sources on a company's structures and processes.

Strength of Weak Ties - Institutional Logic and Network Theory

A critique of Institutional Logic is that when internal logic in organizations is created and shared, this makes the change process difficult to occur (North, 2006). This is because of similarities within organizations, from these shared logics, leaving limited room for different thinking. This parallels what Granovetter (1973) describes the phenomenon ‘homophily’, meaning that nodes that are similar to themselves are likely to be connected. This also occurs between organizations with similar Institutional Logics. Because of homophily occurring and the novelty of the CSRD it is important to connect to diverse types of knowledge through weak ties as well, as weak ties are important brokers in novel information (Slaughter, 2017; Ruef, 2002). Furthermore, Friedland and Alford (1991) explains that in Institutional Logic, interconnections among various institutions in society emphasize how organizations rely on each other despite their differences. This applies to Granovetter’s (1973) theory of weak ties, emphasizing the strength of weak ties in connecting nodes to different types of nodes outside their own cluster. This shows the interconnection between Institutional Logic and Network Theory through the potential of weak ties and novel information.

7. Conclusion and Recommendations

In the following section, a conclusion of the findings of the study is presented. Then, the theoretical and practical implications of the study are discussed before recommending directions for future research.

7.1. Conclusion

The European Union (EU) proposed and adopted the **Corporate Sustainability Reporting Directive (CSRD)**, including a comprehensive set of measures to improve businesses' sustainability performance across the EU. The aim of the thesis is to study the pre-implementation phase of the CSRD within an audit and consulting company and the perceived effects on organizational processes and structures. The research serves as a starting point for a better understanding of the organizational impact of the CSRD and gaining knowledge on the possible effects that the CSRD may have on audit and consulting firms.

Because of the recent implementation and constant alterations of the CSRD, academic literature on the topic is limited, especially when it comes to the impact that the pre-implementation phase of the directive will have on companies' processes and structures. A conceptual framework is designed to analyze and compare three theories, namely Stakeholder Theory, Institutional Logic and Network Theory to answer three research questions.

RQ 1: How is double materiality, as identified in the CSRD, interacting with the stakeholder engagement processes in the pre-implementation phase of CSRD for Company X?

The shift from financial (traditional/single materiality) to both financial and non-financial reporting (double materiality) results in a paradigm shift from shareholder- to stakeholder perspective. An organization should consider the interests of shareholders, without affecting all other stakeholders in a negative way. By executing the double materiality assessment and seeing this as the starting point of the CSRD, stakeholders are identified and involved in the process of selecting material topics to report on.

RQ 2: How are the organizational processes and structures of Company X affected by the pre-implementation phase through the lens of Institutional Logics?

In order to be able to report on all required topics, organizations have to have certain processes and structures in place, and to be able to steer on those, you have to implement the ESRS into your strategy. This will require investment in time, money and other resources. Thus, Company X needs to have their organizational processes and structures in place to in

time comply with the CSRD. This requires new Institutional Logic, which means that there is a shared value of sustainability, since all employees need to be willing and able to work with the new structures and processes. Having a strategy including sustainability and partners and executive board taking up their responsibility to broadcast the relevance of the CSRD will utilize this.

Providing insights into how organizations shape their behavior and decision-making processes, especially during periods of change, assist in navigating complexity of the CSRD. Overarching norms and values of sustainability, described as Institutional Logics of Sustainability, are used to make adjustments to internal processes and structures. This new logic is also being perceived from a more rational perspective in which the CSRD is seen as a market opportunity for competitive advantage when implementing this strategy.

RQ 3: How is Company X utilizing their internal and external networks during the pre-implementation phase of CSRD?

Collaboration within internal networks is intensified because of the pre-implementation of the CSRD in Company X. The ‘Triad’: the three various teams working on the CSRD consisting of audit, sustainability consulting and internal corporate sustainability, are working together on CSRD related assignments. Networks are utilized by sharing internal knowledge among different teams having various backgrounds. Since the CSRD makes different departments in need of information that is not present in those departments, internal networks are used to provide this. The degree of specialization that is currently happening within internal teams plays an important role in this. Furthermore, creating dense and connected internal networks may help in effectively, timely and accurately managing pressure of stakeholders.

Besides its internal networks, Company X is also utilizing their external networks. The value of presence within external networks is not underestimated and willingness to invest resources into external networks is present within the company. By utilizing external networks, Company X will have access to a diverse set of novel information, which are easily brought into the company through weak ties. Being aware of ‘homophily’, meaning only having connections with organizations that are similar to Company X, may be a barrier in retaining novel knowledge on the CSRD.

Stakeholder perspective, awareness on Institutional Logics and utilization of networks all turns out to be essential in the pre-implementation phase of the CSRD within Company X. So, one of the most important takeaways from this research is that the complexity of the CSRD should not take away the focus on the end goal of the directive, which is making impact and sustainable change.

7.2. Recommendations for Practice

Based on this research, our recommendation for Company X preceding the pre-implementation phase of the CSRD includes:

- Be aware of involving various stakeholder groups within the double materiality assessment, including all relevant stakeholders, since a diverse group of stakeholders may lead to distinct input;
- Include all departments of the company within the double materiality assessment through active and long-term participation, so sustainable values become embedded in the entire organization;
- Keep sustainability attractive for employees through different methods of engagement;
- Invest in resources so digital structures are set to gather and analyze data in order to report efficiently;
- Collaborate with similar companies, because of the novelty of the CSRD it is important to utilize weak ties;
- Make sure that partners and the executive board feel urgency and responsibility to spread the logic of sustainability. As leading by example is essential in getting the entire organization on board;
- Make employees aware of the impact they have through their clients on delivering sustainability services.

7.3. Recommendations on Future Research

With the CSRD only being in the pre-implementation phase, this makes the current research limited. Through this study there is identification of changing processes and structures within an organization as a result of the CSRD. Some topics arose within the study that were not part of the focus, but may be of interest to explore:

1. Long-term impacts and outcomes:

Future research could explore, from longitudinal studies, the relation between non-financial reporting and corporate performances to understand the long-term impacts and outcomes of the CSRD.

2. Standardization and digitalization of sustainability reporting practices:

Future research could focus on standardization methods of sustainability reporting practices within the CSRD framework. This could involve examining the effectiveness of digitalization to help gather and analyze data in order to report.

3. Impact of CSRD on non-listed small and medium sized enterprises (SME's):

Future research could explore the effects of the CSRD on non-listed SMEs as part of the larger network and supply chain of larger companies who are mandatory to comply with the CSRD.

4. Role of hierarchy and leadership in the CSRD implementation

Future research could explore the differences between hierarchical and flat organizations in the CSRD implementation, as well as how leadership styles impact its implementation.

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Appendix

Appendix 1: ESRS 1 and 2

ESRS 1: General requirements

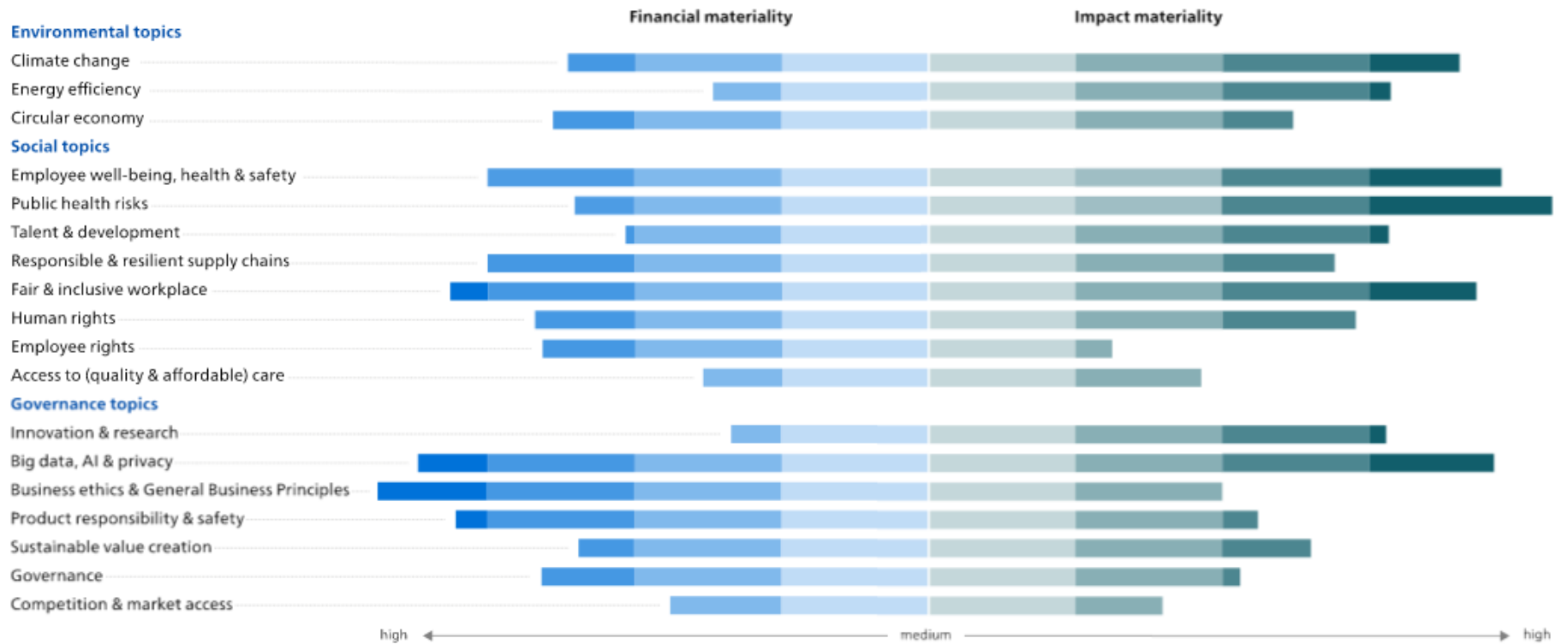
The urgent need for sustainable companies could be seen in the ESRS standards, as the first standard, considering climate change, is mandatory for companies to report on. Topics included in the first standard are sustainability due diligence, value chain, time horizons, preparation and presentation of sustainability information, structure of sustainability statements, linkages with other parts of corporate reporting and connected information and transitional provisions (EFRAG, 2022).

ESRS 2: General disclosures

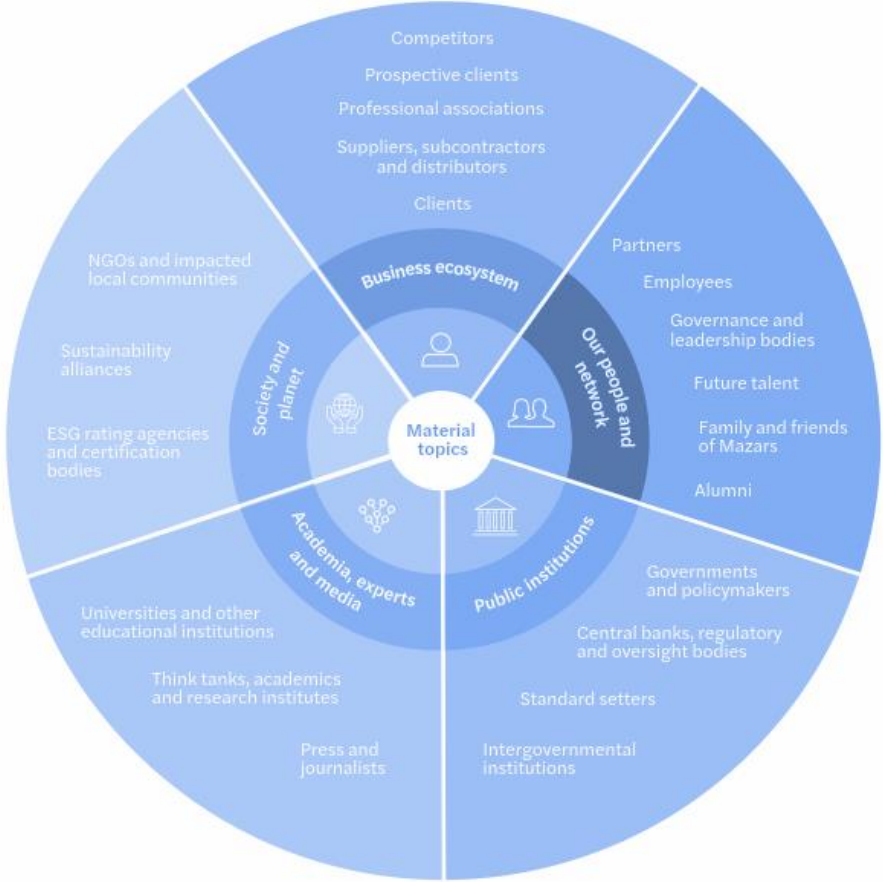
The second standard includes provisions on disclosure contents that the undertaking have to include when disclosing on policies, actions and/or targets. This standard focuses on employees, including not only the company's own employees, but also outside contractors. Topics included in the second standard entails governance, strategy, impact/risk management and metrics and targets. Governance consists of the processes, controls and procedures that are used to monitor and manage impacts, risks and opportunities for the company. To report on the strategy part, the company's strategy and business model(s) are examined to determine how they interact with its operational material impacts, risks and opportunities, including the strategy for addressing them. The impact includes the risk and opportunity management (IRO), which contains the process(es) by which impacts, risks and opportunities are identified, assessed and managed through policies and actions. The term 'risk and opportunities' refers to "the undertaking's sustainability related financial risks and opportunities, as identified through a financial materiality assessment process" (EFRAG, 2022). Metrics and targets will see how the company measures its performance, including progress towards the targets it has set (EFRAG, 2022).

Appendix 2: Double Materiality Matrix (example)

The following figure showing a double materiality matrix is derived from the annual report of Royal Phillips Group and serves as an example (Koninklijke Philips N.V., 2023).



Appendix 3: Stakeholder Map Company X



Note: As Company X is anonymized, this section does not include APA referencing. Information included in this presentation of object of study is derived from Company X' Annual, Transparency and Sustainability reports published in April 2023.

Appendix 4: Interview Guide and Questions

Hello (Name),

Thank you for taking the time to participate in this interview for our thesis project. We appreciate your willingness to share your insights and experiences with us.

Just to give a little background, the purpose of this interview is to gather information on understanding the pre-implementation process of CSRD and exploring the perceived effects it has on organizational structures and processes.

This is a semi-structured interview, which means that while we have a set of questions prepared, it is open to follow-up questions and discussions that may arise. We really just want to gain your perspective and opinion on CSRD and what is happening right now.

Before we begin, I want to assure you that your responses will be kept confidential and that your participation is voluntary.

Do you give us consent to record?

Thank you again for agreeing to participate in this interview. We are excited to hear your thoughts and learn from your experiences. Shall we start?

Questions:

1. Can you please explain your background and role in the organization?
2. What's your view on sustainability in relation to organizations?
3. When did you first hear about CSRD? Can you tell me about your experience with the pre-implementation process so far inside or outside of Company X?
4. What are your outtakes on the preparation of CSRD within Company X?
 - a. How has the pre-implementation process of CSRD been in your organization?
 - b. What were the main steps and outcomes?
5. In your opinion, what are the main benefits of implementing CSRD in an organization?

6. What challenges are faced while implementing CSRD, and how should they be addressed?
7. How has CSRD preparatory work affected the organizational processes and structures in your company?
8. What role do internal resources (i.e., sustainability consultants and auditors) play in the implementation and monitoring of CSRD in your organization?
 - a. How do you collaborate with them, and what kind of expertise and support do they provide?
9. How has your organization been preparing itself and its people for the implementation of CSRD?
 - a. Who is involved internally or externally?
 - b. Have you been working together with other organizations to do so?
 - c. Do you think collaboration and/or organizational learning with similar firms or actors could benefit this process to inspire/work together/learn together?
10. What do you feel you need to be better prepared for CSRD?
11. Have you experienced any changes to communication and collaboration within departments over the past few months because of the CSRD pre-implementation? Please describe any patterns or trends you see across different levels or departments of the organization.
12. How do you think the organizational culture accepts the mandatory changes because of CSRD? Please give an example of your experience.
13. What do you believe the potential of CSRD is?
14. How do you feel the organization's sustainability commitment influences this change from CSRD and what is the collective behavior on this? Can you give an example?
15. Do you think people's behaviors are changing because of CSRD? How is this change being managed?
16. How do organizations/your organization define and prioritize its stakeholders, and how does CSRD help to address their interests and expectations?
17. Have you noticed any changes in the decision-making, communication, and collaboration patterns among employees and departments?

18. How does CSRD affect the relationship between your organization and its stakeholders (such as customers, suppliers, investors, and regulators)? Have you noticed any changes in their expectations, behaviors, or demands?
19. How do you develop and empower sustainability leaders and change agents in your organization, and how do they influence the adoption and diffusion/spreading/acceptance of CSRD?
20. How do you learn and improve from the implementation of CSRD, and how do you apply the lessons to the continuous development of your sustainability strategy and practices?
21. What goals, values, or actions do you miss in your company at this moment with all the knowledge that you currently have on CSRD?
22. To conclude, what are your overall emotions and thoughts towards CSRD?
23. Is there anything else you would like to discuss/mention or talk about?

Appendix 5: Sample Interview Transcription

0:2:43.490 --> 0:2:46.880 **Interviewee 8**

When I heard first about CSRD, I think it was two years ago. Very happy that finally CSRD was coming because I have been waiting for this for quite a long time. We were expecting reporting requirements, but it didn't went that fast. We of course did have the NFRD, the non-Financial Reporting Directive for listed companies, but that was only for listed companies with more than 500 employees. So only small amount of companies need to comply with that and also the amount of data points and the information that was required was very limited and so very happy that CSRD was announced, that the scope is extended and both extended in the number of companies that need to comply with it and also in the amount of information that need to be reported upon. It is however a lot. So I'm also a little bit shocked. I think a lot of organizations are shocked, like, OK, it's coming and now it's coming very fast. Yes.

0:3:58.500 --> 0:4:7.240 **Interviewer**

So that would maybe be a challenge of CSRD, I think. Do you have any more challenges you see for organizations?

0:4:7.490 --> 0:4:37.700 **Interviewee 8**

Yeah, I think it is really a big challenge that the amount of information that is required by CSRD is a lot. So I think for the big listed companies that already are reporting about sustainability matters, most of the time have like this bigger sustainability team already working on these kind of things. For them, it is also a challenge, but they have the people and the experience. For the companies that do not have a sustainability department that are completely new in reporting on sustainability matters. Most of the time, companies that are not even that transparent in all their regular businesses. I mean, of course they need to submit their financial statements to the Kamer van Koophandel, the Chamber of Commerce. But while that's basically what they do, and they have a website, but you don't see an extended and any report there and suddenly for the CSRD, they need to be transparent on all this information. So it's a lot and they need to make some steps in being transparent with especially for more the family owned businesses can be a big step and. And I do see a risk that because it's so much that they kind of lose hope in how much they need to report upon. Ohh and it's kept getting this big administrative burden. While basically it really wants to make companies let them make the next step in more sustainable strategy. I mean, that's the goal. But with this large burden well, I see a risk there definitely.

0:5:46.540 --> 0:5:51.910 **Interviewer**

So that could be overwhelming as well for your clients?

0:5:52.500 --> 0:5:53.70 **Interviewee 8**

Yes. Definitely.

0:5:52.590 --> 0:5:59.60 **Interviewer**

What would you say that Company X internally does to prepare for CSRD?

0:5:59.840 --> 0:6:30.110 **Interviewee 8**

Yeah. So what Company X already did is, they already had a sustainability report before CSRD came in place. So I think that it is very nice that they already have a report. They have people who are responsible for sustainability internally. They already did the materiality assessment. That was in line with more GRI. But they do have that. And then what Company X is currently doing or already did was the first high level CSRD gap analysis. Based on the April version of the CSRD and now also doing a more extended CSRD gap analysis based on the November version of the CSRD. Not 100% sure what the status is there, but Emma can maybe elaborate on that one, I don't know. And also working on double materiality because an important part of CSRD is that double materiality aspect. So what Company X currently is doing is performing a double materiality assessment.

0:7:5.360 --> 0:7:13.590 **Interviewer**

How would you describe that Company X is preparing the employees itself for the CSRD?

0:7:15.500 --> 0:7:46.470 **Interviewee 8**

And so part of the double materiality assessment is that important internal employees for finance, for HR and some other people who need to play an important role here are also included in the number materiality process. So with including them in the process, they also catch the and the necessary explanation on what CSRD is in general and what will be expected from them. And the next step will be to actually incorporate them also in the process of data collection. Also that is not entirely new because Company s already has a sustainability report. Does that in line with GRI, they already used to data collection on sustainability topics and Company X also works on their carbon emissions and bringing that to the table, how much that is, calculating that. So there are already a lot of reporting lines in place based more on GRI. So of course Company X needs to step up. Every company needs to step up here, but there is already something in place where the yeah, the employees that are part of data collection are part of this process. Yep.

0:8:37.560 --> 0:8:57.750 **Interviewer**

Yeah, I think that's a very crucial thing for the internal report of Company X, of course. But then you're also offering services as auditors and as sustainability consultants to other

companies. So, how has Company X been preparing those employees in bringing these services to the market and giving them the knowledge that they need in order to do good?

0:9:5.950 --> 0:9:16.590 **Interviewee 8**

Yes, very good question. Because of course Company X needs to, it needs to do their own internal stuff in line with CSRD. But where we can have the biggest impact is through our employees, I mean we have a seat at the table at so many organizations and we we are sparring partner for a lot of management for boards. So what we currently are doing is also training our own employees and because sustainability will be a part of all our services, it's impossible to do our services in 2-3 years if you don't have any basic knowledge on CSRD and what is happening with sustainability. So we did already train our audit colleagues, that is not finished yet, but at least we had the first training session for the oldest colleagues on sustainability and the coming year, we will keep doing those trainings and we will also extend that to the other service lines because also for tax colleagues, it is relevant to know what is coming because there is a link with tax as well. So that is an important part of of what we currently do. Bringing those people together, bringing our services together and make sure that sustainability becomes an yeah, I'm almost standard. Part of all our services.

0:10:31.0 --> 0:10:37.550 **Interviewer**

Is there already a kind of plan or an or learning plan or something for this?

0:10:38.570 --> 0:10:57.620 **Interviewee 8**

Yeah, there is. There is a learning plan and at the same time that is constantly updated. So there, there is a plan to start with, but what you see here is that there's so much work in progress that also the learning plan is something that we keep updating and keep extending. But there definitely is a learning plan.

0:10:58.100 --> 0:10:59.760 **Interviewer**

Can you tell more about the various roles within Company X working on CSRD? How do you see it? Do you recognize this?

0:11:24.750 --> 0:11:49.940 **Interviewee 8**

Yes, that is also the the key, most important parts of it. So what we have, where I'm part of is the consultancy team, so that those are, yeah, we really help organizations with implementing the CSRD in the strategy in their internal processes and reporting about sustainability. And we also have our auditors and our auditors now need mainly audit financial reports, but for a big part of our clients, the financial report will be extended with the information as required by the CSRD. So that's also a team that is currently further strengthened. We work very close together. The consultants and the auditors, but there are there is that distinction that part of the team is more focusing on consulting and another part

of the team is more focusing on audit. And that consulting team will also be extended with also colleagues more from with the tax focus, etcetera, but that's more the consulting part and then of course our internal yeah team is working on the sustainability report of Company X. There as well you see that we work very closely together, but that's the third important part, people that work really for, yeah, the more internal part of of Company X becoming more sustainable. So our own people, our own lease cars, which are important part of our emissions, our buildings, our report and also more the supply chain for the products that we use.

0:13:16.430 --> 0:13:36.640 **Interviewer**

Do I get it right if I say that the auditors, they are mainly focused on the financial part and they have to increase their in-depth knowledge about sustainability and if it right that I say consulting teams already focusing on sustainability. So they have to broaden their team with other like decks and finance stuff as well, so they have the information on sustainability as well?

0:13:45.590 --> 0:13:50.430 **Interviewee 8**

Yeah, that's correct. So also within our auditors, we have now. I think 3 people already have with more focus on the audit of sustainability, but they're background was more financial auditor and indeed our sustainability team with consultants consists more with people with knowledge on biodiversity or carbon emissions and more like the the or more human rights specific matter experts. But of course, we need to combine that with tax, with like the financial audit to with all the current more financial driven services that Company X has,.

0:14:29.150 --> 0:14:38.850 **Interviewer**

And how is Company X providing those connections or the communication between the auditors and consultants?

0:14:39.440 --> 0:15:9.570 **Interviewee 8**

So with all of this and consultants, we work, we work together very closely. So we have a lot of meetings where we just sit in a room together and well discuss all the challenges that we have and also a few of our audit colleagues are also in working groups with other audit firms and that is of course also for me as a consultant very relevant information that they obtain from those working groups with other, with BIG4. And well, we talk a lot that. I think that's currently what we do and also we have a a core team where we have a meeting with people who work within or do sustainability work from all the services lines. So also from tax and from sustainable from our finance teams or corporate finance. That was the word I was looking for. The corporate finance team. So we have a core team that comes together I think every two months to discuss also more things that happening in other service lines.

0:15:51.480 --> 0:15:52.790 **Interviewer**

Do you feel like this communication has changed a lot because of CSRD? Do you think CSRD is the main driver for it, or?

0:16:1.420 --> 0:16:6.970 **Interviewee 8**

Yeah, that's a good question. There are already a lot of like teams working together on other topics. We have more market focused groups. So we have a focus group for example for a real estate and then in that focus group people from different service lines who do a lot of real estate come together every now and then. So we already did have that and within Company X people work a lot together with other service lines. This is something extra. I think it's an add-on on existing working groups where we work together, but because this is so much, it's so new, we really needed some extra working groups to strengthen our communication on this topic.

0:16:57.510 --> 0:17:5.630 **Interviewer**

And do you think that the working groups are effective or are there other ways you think this communication could be improved?

0:17:6.710 --> 0:17:37.140 **Interviewee 8**

Well, what we experience is that as soon as we actually work together on the client, then it becomes so much more effective. So I think the communication groups, the core teams are very important. They're really help with getting to know each other and giving each other an update on where we work on and then hopefully and that is starting to happen, a client opportunity comes out of it where we actually join forces and go to the client together and that is where you actually think. Ohh wow. Now I really see your knowledge, what you're seeing and what you experience with sustainability. So I think it's a very good starting point and in the end what works best is to actually work together and not only talk about it.

Note: All transcripts are available upon request.

Appendix 6: Code-tree

