Corporate Sustainability in the context of a cross-border acquisition integration

Authors: Linda Hällerstrand
Lena Rist

Supervisor: Zsuzsanna Vincze
Acknowledgments
We would like to acknowledge the following people whose support made our thesis work possible:

Special thanks go to our supervisor Zsuzsanna Vincze who guided us throughout the entire time, supported us with her advice and with the suggestion of the selected case.

Furthermore, we thank our interview participants who gave us precious insights and helped us succeed.

We also thank Herman Stål and Karl Johan Bonnedahl for the valuable discussion about Corporate Sustainability.

Many thanks go to our friends who reviewed our work and sparked insightful discussions.
Abstract

The increasing global challenges, such as natural disasters, poverty and many others, pose new threats to societies and businesses. Therefore, companies increase their engagement in Corporate Sustainability (CS), which connects social, environmental and economic responsibilities. Through this approach, CS aims at overcoming environmental and social constraints in a business context to increase competitiveness in today’s fast-changing world. This fast pace, with which the business environment changes, is related to external influences, such as the above-mentioned climate change, and to fundamental structural developments. One of those is the increasing number of emerging-market companies (EMNCs) that internationalize rapidly through cross-border M&A deals, also into developed markets. Since both trends, the increase in CS engagement and the growing international M&A activity of EMNCs, gain in practical and academic importance, we conducted our study under the following research question.

How is CS integrated on a strategic level after a cross-border acquisition by an EMNC?

The theoretical angle from which we approached the topic aligns with the resource-based view, including the natural-resource-based view, and a stakeholder perspective. When reviewing the literature regarding CS, it became clear that substantial outcomes are still lacking despite an increasing commitment to CS. This difficulty can be linked to the variety of interpretations regarding the conception of CS and the resulting confusion among implicated parties. The review of M&A literature, with a special focus on EMNCs, revealed that these companies deploy a unique approach, which is characterized by the soft post-M&A integration of the target to allow organizational learning within both businesses.

Therefore, our empirical research aimed at exploring how the strategic CS of both companies, the target and the parent, influence each other and thus, develop towards a common CS strategy. The longitudinal single case study we selected, allowed us to investigate this research proposal. Through the collection and analysis of documentary data enriched by semi-structured interviews, our study revealed the following. The exchange of knowledge and CS-related communication represented the basis for the integration of strategic CS as it nurtures organizational learning. Consequently, the CS strategies of both companies increased in maturity, which means that their sophistication evolved. In addition, we also found that the target developed towards a more permissive sustainability to align with its parent company’s CS strategy. Our main study contributions relate to an enhancement of the theoretical knowledge in the related fields. Besides this, we also identified critical practical issues, such as the importance of establishing a common conception of CS to ensure a successful CS integration on a strategic level.

Key words: EMNCs, Corporate Sustainability, post-acquisition integration, organizational learning, resource-based view, stakeholder perspective
Table of content

1. Introduction ........................................................................................................ 1
   1.1. Choice of subject ...................................................................................... 1
   1.2. Overview of selected case ......................................................................... 2
   1.3. Problem background ................................................................................ 3
       1.3.1. Corporate Sustainability – Importance and challenges ...................... 3
       1.3.2. Cross-border M&As – Trends and implications ................................. 4
   1.4. Research gaps ............................................................................................ 5
   1.5. Research question and purpose ................................................................ 7
   1.6. Study contributions and delimitations ..................................................... 8
   1.7. Socio-ethical implications ....................................................................... 9
2. Theoretical points of departure ......................................................................... 11
   2.1. Resource-based-view and natural resource-based view ........................... 11
   2.2. Stakeholder perspective .......................................................................... 13
3. Theoretical framework .................................................................................... 15
   3.1. Corporate Sustainability ......................................................................... 15
       3.1.1. Background of sustainability elements .......................................... 15
       3.1.2. Distinguishing Corporate Sustainability ......................................... 19
       3.1.3. Strategic perspective on Corporate Sustainability ......................... 21
       3.1.4. Implementing Corporate Sustainability ........................................ 22
       3.1.5. Evaluating Corporate Sustainability ............................................ 24
   3.2. Mergers & Acquisitions ......................................................................... 27
       3.2.1. Mergers, acquisitions, and demergers ............................................ 27
       3.2.2. General motives for and challenges of M&A deals ....................... 29
       3.2.3. Factors linked to cross-border M&As of EMNCs ............................. 33
       3.2.4. M&A process ................................................................................ 36
       3.2.5. M&A context and Corporate Sustainability ................................. 40
   3.3. Summary and selected theoretical tools .................................................. 42
4. Research methodology and methods ............................................................... 45
   4.1. Reflection on selection of literature ......................................................... 45
   4.2. Philosophical perspectives ...................................................................... 46
   4.3. Research approach .................................................................................. 48
   4.4. Research design and strategy .................................................................. 48
   4.5. Data collection ......................................................................................... 50
   4.6. Data analysis ........................................................................................... 53
   4.7. Quality criteria ........................................................................................ 54
   4.8. Research ethics ....................................................................................... 55
5. Findings ............................................................................................................ 57
   5.1. Scope ........................................................................................................ 57
       5.1.1. Aditya Birla Grasim ....................................................................... 57
       5.1.2. Domsjö Fabriker ........................................................................... 61
   5.2. Substitutability ........................................................................................ 66
       5.2.1. Aditya Birla Grasim ....................................................................... 66
       5.2.2. Domsjö Fabriker ........................................................................... 67
   5.3. Goal-orientation ....................................................................................... 68
       5.3.1. Aditya Birla Grasim ....................................................................... 68
       5.3.2. Domsjö Fabriker ........................................................................... 69
   5.4. Sustainability strategy .............................................................................. 71
List of figures
Figure 1: Corporate Sustainability and its elements .................................................. 20
Figure 2: Types of acquisition integration approaches ................................................. 38
Figure 3: Selected tools and steps for evaluation of strategic CS .................................. 43
Figure 4: Illustration of the development of strategic CS from 2010 to 2016 .................. 92
Figure 5: Coded page no. 7 of Grasim Industries Limited Annual report 2014/15 ........... 118
Figure 6: Coded page no. 10 of Domsjö Fabriker Sustainability report 2015/16 .......... 118
Figure 7: Illustration of different M&A types ............................................................. 123

List of tables
Table 1: Typologies of CS ....................................................................................... 26
Table 2: Coding categories ...................................................................................... 53
Table 3: Comparison between UN HDI dimensions and AB’s social activity areas ....... 58
Table 4: Indicators for AB Grasim’s social activities ............................................... 59
Table 5: Employee growth and productivity ......................................................... 61
Table 6: Energy consumption per ton of output .................................................... 64
Table 7: Waste management ................................................................................. 64
Table 8: Employee growth and productivity ......................................................... 65
Table 9: Objectives and results of emission levels ................................................. 70
Table 10: Foundation and strategic reason for CS ......................................................... 77
Table 11: Scope at AB Grasim and Domsjö Fabriker .................................................. 78
Table 12: Substitutability at AB Grasim and Domsjö Fabriker .................................. 80
Table 13: Goal-orientation at AB Grasim and Domsjö Fabriker ............................. 81
Table 14: Typologies of CS ......................................................................................... 82
Table 15: Internal social aspects and maturity level ............................................. 83
Table 16: External social aspects and maturity level ............................................. 85
Table 17: Environmental aspects and maturity level ............................................ 85
Table 18: Economic aspects and maturity level .................................................... 87
Table 19: Type of CS strategy of AB Grasim and Domsjö Fabriker in 2010 & 2016 90
Table 20: Maturity level of CS strategy of AB Grasim and Domsjö Fabriker ....... 127
Table 21: Type of CS strategy of AB Grasim and Domsjö Fabriker in 2016 .......... 128

List of abbreviations
AB - Aditya Birla
ABG - Aditya Birla Grasim
CAGE - Culture – Administration – Geography – Economy
CAGR - Compounded Annual Growth Rate
CEO - Chief Executive Officer
CS - Corporate Sustainability
CSR - Corporate Social Responsibilities
DF - Domsjö Fabriker
EMNC - Emerging Market Multinational Corporation
FDI - Foreign Direct Investment
FSSD - Framework of Strategic Sustainable Development
HDI - Human Development Index
HR - Human Resources
HSEQ - Health – Security – Environment – Quality
M&A - Mergers & Acquisition
MNC - Multinational Corporation
NGO - Non-Governmental Organization
NVRBV - Natural Resource-Based View
RBV - Resource-Based View
SCP - Structure – Conduct – Performance
SRI - Sustainable Responsible Investments
TBL - Triple Bottom Line
UN - United Nations
YoY - Year-to-Year
1. Introduction

In this chapter, we present the reasons for the choice of topic, outline the background of our research to position the study in a wider context and to underline its importance. Then, we elaborate the gaps in the current literature, related to both CS and Mergers & Acquisitions, which we intend to fill before introducing the research question as well as the purpose. The closing part develops the intended contributions and indicates the delimitations of this thesis.

1.1. Choice of subject

"It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently."

(Warren Buffet)

Warren Buffet’s (cited in Berman, 2014) statement is relevant not only in everyone’s personal life, but also in the business context. Let us illustrate this with some examples. Volkswagen, which was for a long time known as being integer and delivering high quality, is now often used when exemplifying immoral behavior due to the recent emission scandal (Gates et al., 2017). In consequence, the company’s strategic engagement in environmentally-friendly technology is discussed controversially among investors as Volkswagen’s credibility is questioned (GEC Risk Advisory, 2015). A prominent example for issues and skepticism linked to the strategic fit and value is the acquisition of The Body Shop by L’Oréal (Ecovia, 2006). The latter shows a weaker sustainability profile compared to The Body Shop. Therefore, it is discussed whether The Body Shop fits L’Oréal’s portfolio and whether the new parent possesses suitable capabilities to manage such a different business. To overcome this challenge, L’Oréal needs to deploy an active strategic management of the different business approaches. Furthermore, a strong stakeholder perspective is crucial to create business value for both and to uphold The Body Shop’s core purposes (Bedi, 2015, p. 10-11).

Events like those mentioned above sparked our interest in Corporate Sustainability (CS) combined with Mergers & Acquisitions (M&As). Our interest in this topic was further emphasized by the fact that 2015 was an exceptional year for the two fields as records were achieved on both sides: In mid-2016, Thomsen Reuters announced that 2015 was the Mega Deal Year with an enormous volume of $4.7 trillion M&A deals announced (Thomsen Reuters, 2016). Additionally, emerging market companies’ investment in cross-border M&A in developed countries makes up about 10% of the global volume invested in cross-border M&A deals (United Nations Conference on Trade and Development [UNCTAD], 2016, p. 39). Furthermore, evidence suggests that EMNCs approach the post-M&A integration in a softer and more sensitive way to preserve and spread the best practices across the entire business organization. This is of special importance when target companies from developed markets are acquired as those are assumed to possess complementary resources and capabilities. (Kale, 2009, p. 44-45; Kumar, 2009, p. 115-117)

On the other hand, many climate related indicators, such as temperatures, sea levels and CO2 emissions, reached an all-time high in 2015 (Blunden & Arndt, 2016, p. XVI). These issues sparked debates increased awareness about how especially companies, contribute
to this severe development (Blunden & Arndt, 2016, p. 7-9). In terms of social inequality, in its report *Taking on inequality*, the World Bank (2016) pointed out that hunger, unequal income distribution and other social issues have risen to an alarming state.

Therefore, we aim at investigating the integration of CS after a cross-border M&A deal carried out by an EMNC. This represents a research field with high practical and theoretical relevance. As literature suggests, EMNCs establish a learning relationship with their target while harmonizing strategies during the post-acquisition integration (Kale et al., 2009, p. 109-111; Kumar, 2009, p. 119). Following this line of thought, we are especially interested in examining how the two parties influence each other’s strategic CS and how they develop a common point of departure regarding their CS strategies.

### 1.2. Overview of selected case

To study the above-mentioned case, i.e. the integration of CS after an international M&A deal, we selected a setting where the acquisition of a Swedish medium-sized company by an Indian conglomerate took place in 2011 (Grasim Industries Limited, 2011, p. 2). This acquisition represents a vertical M&A as Domsjö Fabriker is part of AB Grasim’s value chain.

The Swedish company, Domsjö Fabriker, is the global market leader for high quality viscose with a long history in the forestry-related business. The production of sulphite pulp started at the beginning of the 20th century and has developed ever since to encompass three main products today, namely cellulose, lignin, and bioethanol (Domsjö Fabriker, 2016, p. 4). With these products, the company mainly serves the fashion, chemical and pharmaceutical industry. The company is considered a lighthouse example for sustainability, which is integrated in its entire business, from the strategic to the operational level. (Domsjö, 2017)

The Indian conglomerate, Aditya Birla group, belongs to the Fortune 500 and is a diversified business group which is led by the 6th generation. Its global footprint has mainly been expanded through acquisition in foreign markets, often in developed countries. Its broad portfolio includes businesses operating in textile, chemical, retail and carbon industry as well as in financial services. In 2012, the group formulated for the first time a sustainability strategy which aims at becoming the leading sustainable company across all its operations (Aditya Birla, 2017b). In 2011, the Indian business group acquired the Swedish company after having been a customer for many years. This fit into its strategy to gain control over its entire value chain in the pulp and fibre business as well as to acquire resources necessary for its business long-term business success (Grasim Industries Limited, 2014, p. 44). In this context, Aditya Birla (AB) integrated Domsjö Fabriker into AB Grasim, the pulp and fibre business unit, which developed into Birla Cellulose in 2015/16 after an internal reorganization (Birla Cellulose, 2016, p. 8).

To carry out our research, we use the techniques of a longitudinal single case as it also fits the following considerations. As mentioned in the section above, EMNCs follow a softer integration approach. Furthermore, strategic change and organizational learning are timely processes. As our selected case allows us to examine six years of data, we look at a medium- to long-term period in which strategic changes are assumed to have taken
effect (Angwin, 2004, p. 428). Thus, the years elapsed since the acquisition in 2011 represent a period long enough to assess the respective CS strategies at several points in time and thus, track developments. Therefore, the selected case matches our objective to analyze the integration of strategic CS after a cross-border acquisition by an EMNC.

1.3. Problem background
This section is divided into two parts – CS and cross-border M&As as we first address the topics separately before highlighting the important aspects linking them together.

1.3.1. Corporate Sustainability – Importance and challenges
CS, which is about committing businesses to ecological integrity and social equality while fostering economic progress, has attracted major attention among societies and businesses (United Nations [UN] Global Compact, 2017). Especially the increasing awareness regarding the fact that global ecological degradation is man-made and driven by industrialization (Steffen et al., 2015, p. 1259855/1) increases the importance of changing unsustainable business practices towards a global sustainable development. Despite its importance, this change seems to be limited in practice by the lack of knowledge and common understanding of sustainability (Howard-Grenville et al., 2014, p. 615; Lankoski, 2016, p. 847). Furthermore, it is hampered by trade-off considerations between committing to social and environmental issues or pursuing solely economic issues for higher financial return (Hahn et al., 2010, p. 220). Since “climate change is one of the greatest challenges of our time […] as the survival of many societies, and of the biological support systems of the planet, is at risk” (UN, 2015, p. 5) and businesses activities are a major cause of this, it is reasonable to expect engagement towards mitigation of the company’s negative impacts (Howard-Grenville et al., 2014, p. 618). In this context, the Intergovernmental Panel on Climate Change (IPCC) emphasizes not only the need of changing individual business practices but also the necessity of international cooperation across industries to generate sufficient outcomes (IPCC, 2014, p. 17, p. 102-103). To reach this aim, CS needs a holistic framework with a systematic approach to address environmental, social, and economic sustainable business practices, as well as the context in which the company is embedded (Broman & Robèrt, 2017, p. 17). This means including CS in the overall strategic objectives as to “allow[…] businesses to act strategically and successfully in a sustainable way” (Baumgartner & Rauter, 2017, p. 81).

CS, however, is a widely-discussed concept with large variations driven by reasons reaching from economic rationality to normative standpoints (Baumgartner & Rauter, 2017, p. 83). To establish a common point of departure, the World Commission on Environment and Development states that “sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development [WCED], 1987, p. 41). This definition, however, is criticized of being difficult to translate into a business context (Baumgartner, 2011, p. 783; Victor, 2006, p. 103). Therefore, other definitions of sustainability take on a business perspective, such as Dyllick and Hockert’s (2002, p. 131). They define CS as “meeting the needs of a firm’s direct and indirect stakeholders […], without compromising its ability to meet the needs of future stakeholders as well” (Dyllick and Hockert, 2002, p. 131). The fulfillment of such a
responsibility, however, must be driven from a strategic level to manage the coherence and effectiveness of sustainable engagement (Choi & Park, 2014, p. 71).

Global initiatives, as for example the United Nations Framework Convention on Climate Change (United Nations Framework Convention on Climate Change [UNFCCC], 1992) with its updates such as the Paris agreement (UNFCCC, 2015) and other regulations, intend to establish a minimum commitment of businesses to sustainability. Yet CS demands long-term objectives above the minimum legislation to transform unsustainable business practices and to enable companies to stay relevant in the market (Amini & Bienstock, 2014, p. 17; Dyllick & Hockerts, 2002, p. 131). In this context, the commitment to CS is especially important as the access to scarce resources has become an elementary basis for competitive advantages. According to Holmberg & Robert (2000, p. 292), without CS, companies “enter [...] deeper and deeper into a closing window of opportunity or a ‘resource funnel’” limiting business opportunities and losing ground regarding their competitive position. Therefore, when implemented, CS can leverage the company’s capabilities to pro-actively prepare for future challenges (Van Der Vegt et al., 2015, p. 972-973). When it comes to the implementation of CS, companies may incur an initial financial burden. But an increasing amount of academic research shows that CS, combined with a strategic approach, strengthens competitiveness and generates long-term financial outperformance (Clark et al., 2014, p. 9-11; UNEP Finance Initiative, 2007, p. 52-53; Clarkson et al., 2011, p. 142-143).

In summary, we see that CS is a vastly discussed concept, which attracts both positive and critical attention (Amini & Bienstock, 2014, p. 15; Lankoski, 2016, p. 847). However, we argue that strategic CS represents a crucial element regarding long-term business success as it serves as a strategic resource which enables companies to create a competitive edge (Amini & Bienstock, 2014, p. 17). This is achieved through addressing the company’s responsibilities beyond the pursuit of financial profit, which results in an overall positive impact on businesses and on society (WCED, 1987, p. 41-42; Dyllick & Hockerts, 2002, p. 131).

1.3.2. Cross-border M&As – Trends and implications

In addition to the prominent trend of CS and its integration in the business strategy, growth opportunities are a major concern for every company (Dyllick and Hockerts, 2002, p. 131; Van Der Vegt et al., 2015, p. 972-973).

In general, we witness a saturation of key markets in developed countries, with certain industries driving the modest growth (IMF, 2015, p. 48). Despite the observed slowdown of the economic growth in emerging markets, the overall level of growth in these countries is still superior to the one in developed markets (IMF, 2015, p. 54-55). This has put emerging markets into the focus for a variety of business operations (Athreye & Kapur, 2009, p. 209; UNCTAD, 2016, p. IV). Linked to the overall economic situation, it is no surprise to witness a surge in M&A activities of major MNCs, as they allow to consolidate markets as well as to acquire businesses in fast-growing industries and markets (UNCTAD, 2016, p. 30). In 2015, global M&A activities reached an all-time high with a volume of $1.3 trillion M&A deals carried out and a volume of $4.7 trillion deals announced, which is a plus of 40% compared to 2014 (UNCTAD, 2016, p. IIIV). In
this context, an interesting trend becomes evident when we take a closer look at FDI flows related to emerging markets: In 2015, the inbound FDI to emerging countries rose by 84%, while outbound FDI from emerging countries became increasingly important as well, with a total share of 25.6% of the global FDI outbound flows (UNCTAD, 2016, p. 36). While China is the prominent investor in East Asia, India claims this place in South Asia despite the drop in Indian outbound FDI (UNCTAD, 2016, p. 49). In addition, emerging markets show a high share of cross-border M&As directed towards developed countries (UNCTAD, 2016, p. 47-48).

This illustrates that, in the past decade, many EMNCs reach beyond their domestic market by internationalizing at a high speed (Kumar, 2009, p. 114; Nayyar, 2008, p. 116). This has left many established MNCs from developed markets with fierce competition in their domestic market while EMNCs have become major players on a global level (Khanna & Palepu, 2006, p. 62). These cross-border M&A activities contribute to the pursuit of fast and bold moves on an international level (Nayyar, 2008, p. 116-117). This somewhat contradicts the traditional view on a gradual internationalization process as depicted, for example, in Johanson & Vahlne’s the Uppsala model (1977, 2009), where market commitment increases over time as experience and knowledge about that business environment evolve. Both the gradual and the fast internationalization are underpinned with a RBV, which is, however, used in a different way. Johanson & Vahlne (2009, p. 1416-1417) argue that the incremental accumulation of resources, such as market knowledge, allows a company to further increase its footprint in the foreign market. When considering the behavior of EMNCs in the context of cross-border M&As, a different argumentation is needed. The economic growth in emerging markets, which has exceeded the growth in developed markets, has allowed EMNCs to accumulate important financial resources, which they now deploy by acquiring complementary resources in developed market, a strategy with a clear long-term perspective (Barney, 1991, p. 204; Kumar, 2009, p. 116; Madhok & Keyhani, 2012, p. 28).

As CS suggests, MNCs in general, thus also EMNCs, are expected to contribute not only to local economic, but also to a positive social and environmental development (Choi & Park, 2014, p. 59). Rondinelli (2007) argues that initiatives of corporate responsibilities are important, especially in emerging countries, were social and environmental regulations are limited or ineffective in protecting e.g. environmental hazardous conditions (Rondinelli, 2007, p. 2). Despite or because of this situation, studies show that corporate responsibility is a trend in emerging market countries, although in an initial phase of development (Mittal et al., 2008, p. 1438). Nonetheless, when carrying out a cross-border M&A, EMNCs encounter a different business environment in which the approach to CS differs as well (Madhok & Keyhani, 2012, p. 35). In consequence, it is of interest to investigate the topic of CS in the context of a cross-border M&A and how it is integrated in a post-acquisition context.

1.4. Research gaps

Gap 1
CS can be traced back to the 1950’s and the emergent awareness of social responsibilities of a firm. Initially, the concept of Corporate Social Responsibility developed, which addresses the wider responsibilities of the firm towards all stakeholders given that
companies are embedded in a social system (Carroll, 1991, p. 269). In addition to this social aspect, CS also includes the acknowledgement of a firm’s environmental responsibilities (Amini & Bienstock, 2014, p. 13). Thus, CS entails all three elements (social, environmental, and economic) and focuses on the strategic approach related to their implementation into the company’s business practices (Dyllick & Hockerts, 2002, p. 130-131; Rezaee, 2016, p. 48-49).

Despite the businesses’ ostensive commitment to CS, the aggravating problems of climate change and social inequalities highlight the unsustainable business practices many firms still engage in (Baumgartner, 2011, p. 783). This shows that theory development in the field of CS lacks a connection to real-life events, especially when it comes to the implementation in the business context (Broman & Robèrt 2017 p. 28). This becomes also clear by considering the lack of coherence and consistency regarding the understanding of CS, even among scholars (Hugé et al., 2016, p. 84). This incoherence also expands to the business context as companies focus on different parts of CS depending on the conditions they operate in. Taking the increasing number of cross-border M&A deals initiated by EMNCs into account, this problem is amplified: MNCs from developed countries mostly stress the environmental aspect (Hart & Dowell, 2011, p. 1466), while EMNCs are more concerned with employee-related issues (Khanna & Palepu, 1997, p. 44-46). Therefore, the understanding of CS differs across these companies. Thus, throughout the integration process, a common conception of strategic CS needs to be established to lay the foundation for a successful pursuit of sustainable objectives (Lankoski, 2016, p. 856; Waddock & Graves, 2006, p. 92-94). These issues were already recognized early on. In 1987, the World Commission on Environment and Development issued the so-called Brundtland report (WCED, 1987) which established a common understanding of sustainable development.

Although the concept of CS is rich of theoretical relevance and evolving maturity, its empirical application and adoption are still lagging. According to critics, this is due to the lack of a strategic approach to CS: If not in line with the overall strategic objectives of the firm, the influences of CS on planning and decision-making will be limited (Baumgartner & Rauter, 2017, p. 81).

Therefore, the identified major research gap in the field of strategic CS is related to its application and integration in a business context as scholars within the research field recognize the current need for a better understanding and research of CS as a strategic resource embedded in the overall corporate strategy (Lozano, 2011, p. 46-47).

Gap 2
As mentioned earlier, one major reason for the reluctance of companies to turn towards CS lies in the perceived risk of negative financial repercussions. This, however, has proved to be wrong by several studies. Researchers have revealed the contrary effect, namely that CS, if implemented on a strategic level, drives firm value (Clark et al., 2014, p. 9-11; Rezaee, 2016, p. 48; UNEP Finance Initiative, 2007, p. 52-53). One major area where firm value is a prominent and sensitive area is the M&A market (Kale, 2009, p. 46-47; Jensen & Ruback, 1983, p. 5). The acquirers intend to gain control over the resources of the target companies to create value for shareholders and stakeholders (Jensen & Ruback, 1983, p. 9; Deloitte, 2008, p. 4). Therefore, resources are the main
drivers for the valuation of a company in the context of a M&A deal (Jensen & Ruback, 1983, p. 6) as they represent the basis for post-M&A synergies (Roll, 1986, p. 201).

With the perspective on CS as a resource, researchers conducted studies which investigate the relation between CS, or a single dimension of it, and factors of M&As, such as the deal valuation, the completion time of the M&A deals (Hawn, 2013, p. 63) or a company’s likelihood of being targeted (Deng et al., 2013, p. 95). From a post-M&A perspective, we find individual studies examining the role of CS in the value creation during the integration phase (Deng et al., 2013, p. 93-95; Deloitte, 2008, p. 1-2). Until date, however, this area of research lacks a strategic perspective on the integration of CS in the post-M&A phase.

Going further, research has failed to address CS in the context of cross-border M&A deals carried out by EMNCs (Harper, 2012, p. 119; Syrjälä & Takala, 2009, p. 276). This, however, is a major field of interest as the cross-border M&As initiated by EMNCs defy traditional theories and well-established business practices (Khanna & Palepu, 2006, p. 62; Kumar, 2009, p. 116). The scope and speed with which these EMNCs carry out their internationalization has stunned academics and businessmen, even more so as differences in their behavior and the one of MNCs from developed countries have become evident (Kale, 2009, p. 41; Nayyar, 2008, p. 111). EMNCs apply in general a softer approach during the integration of the acquired firm than most of their Western counterparts do (Kale, 2009, p. 44-45; Kumar, 2009, p. 115-117). In turn, this behavior reveals the different logics applied to M&A deals. EMNCs aim at acquiring complementary resources in a long-term perspective while MNCs from developed markets look for a fast value creation by the exploitation of the acquired resources (Kale, 2009, p. 43).

These considerations open up a new perspective on the post-M&A integration, especially with regard to CS, which has not been addressed previously: Seeing CS as a strategic resource, which creates value for the company (Deng et al., 2013, p. 93-95; Deloitte, 2008, p. 1-2; Clark et al., 2014, p. 9-11), we argue that the acquirer’s CS will affect and be affected by the target’s CS, so that both approaches form one common system in the end, including elements of both companies.

Therefore, we aim at investigating the integration of CS after a cross-border M&A deal carried out by an EMNC. This perspective addresses the outlined research gaps regarding CS as well as cross-border M&As by EMNCs. Furthermore, it is set in a context where long-term strategy and value creation is important as this is essential to both strategic CS and M&As. Consequently, it aligns the different gaps in literature.

1.5. Research question and purpose

Based on the identified research gaps outlined in the previous chapter, we developed the following research question:

How is CS integrated on a strategic level after a cross-border acquisition by an EMNC?

Our main purpose is to gain insights into the integration process of strategic CS after a cross-border M&A, more specifically after the acquisition of a Swedish company by an
Indian business group. Furthermore, this study allows us to examine the importance put on CS and its different elements during the integration phase, which is of special interest due to the following reasons. Domsjö Fabriker, the Swedish company, is known for its strong sustainability profile and since 2012, Aditya Birla, the Indian parent, pursues an ambitious sustainability strategy and thus, increases its engagement in this area. Thus, with our research, we intend to gain knowledge about the impact of this special setting on CS as well as to develop the existing knowledge about how an EMNC proceeds when integrating resources of the acquired company.

In line with Lankoski (2016), we depict CS by the three constituent dimensions, namely the scope of CS, element-substitutability, and the goal-orientation of CS (Lankoski, 2016, p. 847), which we explain in section 3.1.5. The use of these dimensions allows us to create a holistic view on CS and to define parameters of analysis. Additionally, these constituent dimensions enable us to capture and point to differences across the target and acquirer and to follow the development throughout the studies period (Lankoski, 2016, p. 847). As a complementary assessment, we will examine and track the maturity level of the CS elements (Baumgartner & Ebner, 2010, p. 78) at both companies throughout the analyzed period to leverage the knowledge generated through the assessment of CS’ constituent dimensions.

To answer the research question and fulfill the study purpose we proceed as follows. The second chapter entails our theoretical points of departure, namely the RBV and stakeholder perspective. Those represent the lens through which we select and understand the relevant theories. The latter are outlined in chapter 3, which first focuses on CS, then presents the topic of M&A before introducing joint theoretical considerations. At the end of this chapter, we summarize theoretical tools which we selected for the purpose of our empirical research. After describing the relevant research methodology and methods in chapter 4, chapter 5 presents the findings of our empirical research which are divided according to the three constituent dimensions and an additional category, sustainability strategy. In the following chapter, we then analyze and discuss the findings at different strategic levels, ranging from the strategic foundation, over the understanding of CS, to the overall sustainability strategy and its maturity level. In the final chapter, the conclusion, we wrap-up our study and answer the research question before pointing out the study contributions, its limitations and possibilities for future research.

1.6. Study contributions and delimitations

From a theoretical point of view, this study contributes to a better understanding of the strategic integration of CS in a post-M&A context. This enhances the current knowledge about the strategic implementation of CS as well as the EMNCs post-M&A integration approach. In addition, addressing CS within a post-M&A context adds to the understanding of this specific setting in the light of the growing presence of EMNCs in developed markets after cross-border M&As. Furthermore, the study enhances the understanding of the development of legitimate strategic CS objectives for both the target and the acquirer.

Practical implications will be to provide an extended base of understanding related to the critical post-M&A phase. This enables improved managerial decision-making and
proactive management of CS in this context. In addition, we provide insights helping to build experience of how changes in CS can create leverage points for an increased positive impact on both companies.

When considering a wider societal perspective, the better understanding of CS in a variety of contexts, to which we add the post-M&A context, will enable a proactive support to identify and to use best practices. Besides this, it allows to generate knowledge regarding potential impacts of cross-border M&As on compliance, which, in turn, may increase attention to this issue.

Furthermore, in the light of combing M&A and CS, we decided to adopt a resource-based view (RBV) to create a common basis for our theoretical considerations. The RBV allows us to focus on internal developments within the context of post-acquisition integration. This is in line with the strategic perspective taken on CS. Adding to the RBV, we incorporate a stakeholder perspective on CS (Garvare & Johansson, 2010, p. 737-738).

Regarding the issue of EMNCs, we point out that major differences across the emerging markets exist. Since we chose to study our topic in the context of a cross-border M&A into the Swedish market carried out by an Indian EMNC, the generated insights may differ according to the environment. The same is true for the Swedish business environment. This point, however, becomes less relevant when we consider once more the RBV: Here, it is not the specific environment which determines organizational behavior, but its resources (Barney, 1991, p. 205). Consequently, the emerging market versus the developed market context is important insofar that it endows companies with different resources, which are then applied to create distinctive capabilities (Gaur & Kumar, 2009, p. 175; Barney, 1991, p. 206). Furthermore, the differences in stakeholder focus and expectations across companies add to the distinctiveness of capabilities. In line with this argumentation, we excluded national and organizational culture from our study, but analyze differences through the resources and stakeholders of the company.

1.7. Socio-ethical implications
As mentioned in the introduction, CS is based on the argumentation that businesses have not only a pure economic responsibility, but also a social and environmental duty to fulfill. This entails two perspectives. The first is a business point of view, as companies, in an unsustainable environment, face restricted limited growth opportunities due to limited resources. Assuming this takes the same global scope as, for example, climate change, an economic downturn on the same level might occur and numerous companies might struggle to survive. For employees, this can result in a decrease in income as salaries are reduced or workers are laid off. In case of general economic problems on a large scale, this can create social problems which aggravate the business’s challenges. The latter can be traced back to less purchasing power, i.e. a decrease in company turnover, and to other related problems.

From a social point of view, environmental degradation results in natural disasters and, e.g. in air and water pollution. This might lead to an increase in health problems among society, which means a decrease in life quality. Furthermore, without CS, social inequality is not likely to be tackled, which can cause an increase in poverty and the gap
between rich and poor will widen. Consequently, societies will experience social marginalization as well as turmoil and instability, which also affects businesses.

As one can see, these two perspectives are intertwined and create a self-aggravating circle, which strategic CS helps to prevent through the mitigation of negative impacts on both, society and environment.

Regarding M&A activities, they usually entail the movement of large amounts of money. Thus, it exists a strong financial incentive to make M&A deals work since a lot is at stake. However, potential conflicts of interests among different parties might lead to the situation where the most powerful party takes charge and tries to increase its value, financial and other, at the expense of weaker groups. Therefore, high pressure is put on employees, including managers, to lead the M&A to a success. This often results in financial cost-saving programs where staff is reduced. In case of a large-scale layoff, this might create social problems and an increase in the unemployment rate. In addition, stakeholder, including shareholder, wealth is most likely to be destroyed, especially when considering the high failure rate of M&As.

An EMNC entering a developed market through a M&A deal encounters different conceptions and understandings of CS. Consequently, these discrepancies might cause difficulties regarding sustainability-related issues, thus a decrease in CS engagement can occur. In turn, this increases negatives impacts of the business on society and the environment. Nonetheless, there exist also the possibility of the reverse effect. In case of one of the companies possessing a strong CS profile and the other being flexible and adaptable, the new setting opens possibilities for a cross-border cooperation. This might increase the scope of “doing good” on an international level.

The above-outlined described situations exemplify the strong socio-ethical implications of strategic CS and M&As. Therefore, a pro-active strategic approach to manage both topics successfully is needed and emphasizes the relevance of our research.
2. Theoretical points of departure

With this chapter, we lay the foundations for our understanding of the relevant theories. First, we present the RBV and natural resource-based view (NRBV), followed by an outline of the stakeholder perspective.

2.1. Resource-based-view and natural resource-based view

In the RBV, the term resources encompasses everything controlled by the firm, from assets and human resources, over capabilities to the specific knowledge a company has access to (Wernerfelt, 1984, p. 171; Porter, 1998, p. 48; Barney, 1991, p. 206). Thus, resources include both strengths and weaknesses. Especially the first one enables a company to implement and execute its strategy (Porter, 1998, p. 48-49). In his work, Barney (1991) also assumes that strategic resources are distributed among firms. These resources, or capabilities, however, are not equally allocated, but in a heterogenous way. Barney further states that this heterogenous state is stable over time. In consequence, a company’s resources determine its competitive advantage and thus, also the optimal activity in which the company should engage in (Wernerfelt, 1984, p. 172; Barney, 1991, p. 206).

In this context, we define competitive advantage of a company “when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors.” (Barney, 1991, p. 206). This definition can even be expanded to a sustained competitive advantage which adds the dimension of competitors being “unable to duplicate the benefits of this strategy” (Barney, 1991, p. 206).

Above definitions set the foundation for the VRIN model, developed by Barney (1991, p. 211). The abbreviation VRIN stands for four characteristics resources must dispose of so that they lay the foundation for any competitive advantage (Barney, 1991, p. 211-213): Firstly, the resources need to be Valuable in the sense that the company can derive strategic value from it. Secondly, those resources must be Rare in the current competitive environment. Thirdly, it is essential to possess Inimitable resources which, lastly, must fulfill the criteria of current Non-substitutability. These resources enable a firm to create the necessary capabilities with which they carry out the advantageous strategy (Amit & Schoemaker, 1993, p. 35). Barney (2002, p. 136) presented a modified framework, now called VRIO in his book Gaining and sustaining competitive advantage. While the first two elements remain unchanged, the non-substitutability has been integrated into the inimitable dimension. Consequently, a new element has been added, namely Organisational support. This refers to the question whether a company is organized appropriately to exploit its VRI resources (Barney, 2002, p. 135; Johnson et al., 2014, p. 80). The enhanced framework integrates the RBV better in the sense that the last category now considers complementary resources as crucial for a company’s success (Barney, 1991, p. 206, 211-213).

As mentioned, the characteristics relate to the current state of the resource distribution and capabilities across competitors. Consequently, this means that a sustained advantage will be limited in time and shocks may set an end to it (Barney, 1991, p. 206-207). Schumpeter (1976) names such changes creative destruction which is defined as the “process of industrial mutation [...] that incessantly revolutionizes the economic
structure from within, incessantly destroying the old one, incessantly creating a new one.” (Schumpeter, 1976, p. 83). As the author here emphasized in his work, this process is initiated from within, i.e. by actors operating in a certain industry. This adds to the RBV as it indicates that, at a certain time, actors of an industry, e.g. companies or other organizations, have accumulated and incorporated resources which allow them to disrupt the current status quo. (Schumpeter, 1976, p. 83-85) This then gives them a competitive advantage over their peers whose resources have become insufficient to keep up in the environment (Schumpeter, 1976, p. 83-85; Barney, 1991, p. 211-213).

This view contrasts the SCP (Structure – Conduct – Performance)-based theory on which Michael Porter based its earlier work on (Barney, 2001, p. 644; Porter, 1998, p. xv, 149-150). SCP-based theories follow the logic that industry Structure determines a company’s Conduct, which consequently influences firm Performance (Porter, 1998, 149-151). This external view on company strategy has long been predominant in strategy research (Barney, 1991, p. 204). For our Master’s thesis, however, we chose to apply a RBV to strategy. This allows us to create a common ground for analysis of the topics we intend to combine, CS and M&As. Therefore, we enlarge the perspective of the RBV with the natural-RBV.

An extension of the RBV is the NRBV which was developed by Hart (1995, p. 986) according to whom, the RBV misses one important aspect, namely the company’s dependence and its relationship with its natural environment. While the RBV points out the importance of resources which are seen under the aspect of more internal resources, the NRBV emphasizes the importance of environmental issues to a company’s business (Hart, 1995, p. 987; Holmberg & Robèrt, 2000, p. 292). Given the limit of natural resources as well as the repercussions severe environmental events can cause for a company, the latter not only needs to manage internal resources, but also include environmental considerations into their strategic thinking to pursue an environmentally sustainable development (Hart, 1995, p. 987-991; Sharma & Vredenburg, 1998, p. 735). Therefore, Hart proposes three interrelated strategies which a firm should engage in, namely pollution prevention, product stewardship, and sustainable development (Hart, 1995, p. 987).

Pollution prevention refers to a strategic approach on reducing emissions already during the production and operational processes, which decreases costs and thus, increases a company’s profitability, also in the long run (Hart, 1995, p. 993). It is pointed out that pro-active prevention, as opposed to control, creates a substantially higher impact when it comes to cost reduction (Hart, 1995, p. 993, Van Der Vegt et al., 2015, p. 977). Furthermore, a more efficient use of input factors adds to the company’s sustainability thanks to the implementation of a strategic long-term perspective (Hart, 1995, p. 992-993; Holmberg & Robèrt, 2000, p. 292).

The second strategy, product stewardship, refers to fact that a company’s efforts regarding the efficient use of resources should expand over both the entire product life-cycle and the value chain (Hart, 1995, p. 993-994; Stahel, 2016, p. 436). Only a comprehensive approach enables a company to reach the maximum of advantages deriving of a conscious handling of scarce resources, which are threefold: avoiding negative environmental impacts, reducing the risk of costly liability claims and minimizing life-costs for new
products (Hart, 1995, p. 994, Stahel, 2016, p. 435). Within product stewardship, two possible foundations for the application exist. A company can secure its access to scarce resources which are essential to its business or it can implement standards and rules that build upon its capabilities (Barney, 2002, p. 136-138; Hart, 1995, p. 994-995). Both means aim at establishing pre-emption of resources to lay the foundations for a competitive advantage (Hart, 1995, p. 994-995).

Finally, sustainable development focuses on mitigating negative impacts caused by Western companies on developing countries. According to Hart (1995), sustainable development consists of two dimensions. The first requires the company to acknowledge the relation between their consumption of resources in Western countries and the resulting negative consequences on developing countries as most of these resources originate from the latter (Hart, 1995, p. 997). Secondly, as companies turn increasingly towards markets creation in developing countries, it is necessary to decrease negative environmental impacts there as well, not just in the domestic market (Choi & Park, 2014, p. 71; Hart, 1995, p. 997-998). This Western point of view can be extended in the light of the growing importance of EMNCs. As the latter expand their business increasingly into developed markets and thus, extend their influence on these markets (UNCTAD, 2016, p. 39), the same rationale as presented by Hart (1995, 997-998) can be applied to EMNCs. In consequence, EMNCs and companies from developed markets need to aim at a careful management of the resources they use in their domestic as well as in foreign markets (Holmberg & Robèrt, 2000, p. 292).

Ultimately, the combination of all three strategies enables the company to create a competitive advantage by deploying environmentally-friendly and value-maximizing strategies paired with a long-term perspective, which expands over their whole business (Hart, 1995, p. 994; Barney, 1991, p. 211-213). As Hart (1995, p. 998) points out, the three strategies are no stand-alone measures, but are interrelated and thus, all of them must be implemented within a firm if it aspires to be sustainable in the economic, environmental and social sense of the word. This, together with the fact that the strategies are underpinned by VRIN resources and specific capabilities, allows companies to create a competitive edge (Barney, 1991, p. 205; Hart, 1995, p. 998; Wernerfelt, 1984, p. 175).

2.2. Stakeholder perspective

In the beginning, we point out that we avoid using of the term stakeholder theory, but refer to a stakeholder perspective. This is in line with Freeman’s (1994, p. 413-415) suggestion regarding the existence of several stakeholder theories, which are all tightly linked together by a common perspective.

As outlined previously, RBV and NRBV constitute the foundations for the following theoretical part. However, we see the need to enrich this basis with a stakeholder perspective, especially since CS is closely linked to a company’s stakeholder groups (Carroll, 1999, p. 269; Dyllick and Hockerts, 2002, p. 131; Garvare & Johansson, 2010, p.738; Von Marriwijck, 2003, p. 96). In his work about the NRBV, Hart (1995, p. 999) also points out that “an external [...] orientation in no way jeopardizes competitive advantage [which is rooted in firm resources and capabilities] and may reinforce and differentiate the firm's position through the positive effects of a good reputation”.

13
The stakeholder perspective of firms acknowledges the importance of “any identifiable group or individual who can affect the achievement of an organization's objectives or who is affected by the achievement of an organization's objectives” (Freeman & Reed, 1983, p. 91). Going even further, Freeman & Reed (1983, p. 96) claim that the interests of stakeholders who hold enough power to impact the company to either facilitate the achieving of objectives or to make it impossible, need to be included in strategic planning. Out of this line of thought, the need to identify and classify the stakeholders arises. In literature, there is a broad variety of possibilities to categorize stakeholders, e.g. “as primary or secondary stakeholders; as owners and non-owners of the firm; as owners of capital or owners of less tangible assets; as actors or those acted upon [...] as resource providers to or dependents of the firm” (Mitchell, 1997, p. 853-854). Since we combine the stakeholder perspective with the RBV, we especially like to emphasize the latter classification of stakeholders which relates explicitly to the resources of a firm.

An important element of stakeholder perspective is their involvement in the firm. Here, the term stakeholder engagement comes in, which, however, is a fuzzy concept and it exists no definition upon which researchers have agreed (Sloan, 2009, p. 26). Linked to the definition of stakeholders presented above, we adopt the general view that sees stakeholder engagement as process of building relationships with their stakeholders to create economic, environmentally, and socially sustainable organizations (Freeman et al., 2004, p. 364; Sloan, 2009, p. 26-27) and to access additional resources (Mitchell, 1997, p. 854), e.g. in the form of market knowledge and customer preferences.

Given this understanding of stakeholder engagement, it is no surprise that CS is often associated with the stakeholder perspective (Sloan, 2009, p. 26). Many researchers, however, merely link Corporate Social Responsibility (CSR) to the stakeholder perspective without recognizing the existing link to the wider approach of CS (Freeman & Reed, 1983, p. 90). We, however, argue that such a connection exists. Firstly, we tie the RBV and the stakeholder perspective together in the sense that stakeholders have a mediating effect on the deployment of resources for capability development (Amit & Schoemaker, 1993, p. 36). Therefore, stakeholders play a crucial role in building value-creating capabilities which enable the firm to pursue their strategy (Amit & Schoemaker, 1993, p. 35; Porter, 1998, p. 48-49). As we argued earlier, CS with its three parts, namely social, environmental, and economic, is part of a firm’s strategy. In consequence, we can say that stakeholders contribute to the execution of CS. Secondly, we consider the environmental environment and not only the social one as a company’s stakeholder. According to Freeman & Reed (1983), everyone “who can affect [...] or who is affected by the achievement of an organization's objectives” (Freeman & Reed, 1983, p. 91) can be counted as a stakeholder. Since we see striking evidence that the environment is affected by the actions of businesses, and, in turn, affects business practices, e.g. through the troubles caused by the suspension of most European flight connections in 2010 after the eruption of the Icelandic volcano (Spiegel, 2014), the environment represents a valid stakeholder for the company. This means that its interests need to be considered in the firm strategy and contribute to the objectives to be achieved.
3. Theoretical framework

In this chapter, we present the theoretical framework of our study. At first, we introduce the two research fields, CS and cross-border M&As. Then, we will illustrate joint theoretical considerations linking the two research areas together as well as the selected tools which we will apply to our empirical research with the aim to analyze the data.

3.1. Corporate Sustainability

The section reviews the background of the three elements of CS, namely social, environmental, and economic. Then, we distinguish CS from related concepts before adding a strategic perspective on CS. Finally, implementation and, in the following part, evaluation frameworks are presented and contrasted.

3.1.1. Background of sustainability elements

Nowadays, sustainability within a business context is well-established and recognized (Campbell, 2007, p. 946; Mittal et al. 2008, p. 1437; Kleine & Hauff, 2009, p. 517) as it can enable companies to create shared value, competitive advantages and prevent them from ‘doing bad’ (Martinuzzi & Krumay, 2013, p. 425; Russo & Perrini, 2010, p. 208, p. 217). In the following, the development of the three elements of corporate responsibilities (social, economic, and environmental$^1$) is outlined to establish a better understanding about the scope of CS.

Social dimension

The social dimension of business practices can be traced back to the 1950’s, which commonly referred to as the first decade of the modern era of Corporate Social Responsibility (CSR) (Carroll, 1999, p. 269-270). The concept emerged as a contrast to the prevailing assumption that the company’s sole responsibility was economic and addressed the relationship between businesses and society as the basis upon which the business success was built (Carroll, 1991, p. 39; Russo & Perrini, 2010, p. 208). Early acceptance of the additional responsibilities is shown by a survey of the Fortunes magazine which revealed in 1946 that 93.5% of the participating managers agreed with the statement that businesses should take responsibility for their actions within a wider societal perspective (Fortunes magazine, 1946, cited in Bowen, 1953, p. 44). Bowen’s (1953) book Social Responsibilities of the Businessman emphasized, as the first and seminal work of this research field, the importance of CSR within a business context (Carroll, 1999, p. 269; Russo & Perrini, 2010, p. 208).

Since the 1950’s, CSR developed considerably from a nascent field of research and practice into a mature, diverse and multifaceted one (Carroll 1999, p. 292; Malik, 2015, p. 419). In his study, Dahlsrud (2008, p. 3) identified and analyzed 37 different definitions of CSR, which he found to be highly congruent. He argues, in contrast to Russo & Perrini, (2010 p. 207), that, when it comes to CSR’s lacking practical impact, the main problem is not its ambiguous conceptualization, but the limited guidance on how to manage CSR challenges and implement related strategies in practice (Dahlsrud, 2008, p. 6).

$^1$ In the following, we also integrate literature that uses the term “ecological” interchangeably with “environmental”.

15
One significant theoretical and empirical contribution is the extension of the previously dominant focus on shareholders into a wider stakeholder perspective (Carroll 1999, p.288, 290 Kleine & Hauff, 2009, p. 518). The stakeholder perspective of a firm advocates the inclusion of a social responsibility in a company’s business practices, including voluntary initiatives towards its different stakeholders, both internal and external, such as employees, customers, regulators, local community (Malik, 2015, p. 425).

Carroll’s Pyramid is a well-known CSR model and has over 7,000 citations on Google Scholar (Google Scholar, 2017). It illustrates CSR as a pyramid of four interrelated levels of responsibilities, where progress is made by climbing up the pyramid. The two first fundamental levels relate to economic and legal responsibilities. A company’s economic responsibility towards society is primarily seen as supply of demanded goods and services while simultaneously contributing to employment and economic growth. The legal responsibility relates to being profitable by full compliance to legislative and regulatory regulations, such as labor rights. These two basic responsibilities are described as the foundations upon which the further CSR initiatives need to be built. (Carroll, 1991, p. 40-41) The third and fourth levels are thus on a voluntary or discretionary basis, including corporate ethics and corporate citizenship, respectively. Therefore, these two top-levels capture the part of corporate behavior which is not formalized within the legislation, but aligned with the stakeholders’ common interests. An overall engagement in all four levels of CSR means for a company to be a good corporate citizen by committing to activities which contribute to the welfare of employees and other social actors, (Carroll, 1991, p.41-43), thus underlines the combination of CSR and the stakeholder perspective. The pyramidal stage model and CSR has found broad acceptance, but has also been criticized as lacking practical guidance and being too simplistic to catch the complexity of CSR (Martinuzzi & Krumay, 2013, p. 429; Visser, 2005, p. 6-7)

A general criticism of CSR is its dependence on voluntary initiatives and the strong focus on the stakeholder perspective without considering tensions and trade-offs in practical implementation (Devinney, 2009, p. 53-54; Kleine & Hauff, 2009, p. 530). Devinney (2009, p. 45-46) argues that trade-offs and power asymmetries between stakeholder groups affect the outcome and thus, the social improvements, in a negative way. Devinney’s (2009, p. 53) logic builds upon the reasoning that it is unrealistic to assume a company’s CSR activities would not cause a conflict of interests between stakeholders depending on aspects like what type of ethics, philanthropy, and responsibility to address in which context. In this context, large MNCs are often considered very likely to fail when it comes to the generation of social value. This is due to the complexity of the adaptation to context-specific interpretations of CSR among globally dispersed stakeholder (Devinney, 2009, p. 45). Kleine & Hauff (2009, p. 530) take a slightly different perspective and suggest that a long-term, systematic, and integrative approach will overcome potentially conflicting interests, which, however, are still seen as a weakness of the concept which need to be accounted for.

One debate about CSR revolves around its cost-benefit evaluation (Malik, 2015, p. 419). The common understanding is that social responsibilities add costs and reduce profitability and therefore don’t represent a driver of financial value (Friedman, 1970, p. 2; Mittal et al., 2008, p.1440). This, however, is contested by recent studies showing that proactive Corporate Responsibility implemented on a strategic level drives firm value
When it comes to general criticism of CSR, the name Milton Friedman (1970) comes into focus. He published an article with the title *The social responsibility of business is to increase its profit* (Friedman, 1970), thus fueling the debate anew. Despite its influence and wide recognition, Friedman’s (1970) argumentation is widely criticized of lacking considerations such as the increasing effects of globalization and the power shift from national governments and states to multinational companies. Large MNCs show growing impacts on society, especially in developing countries and emerging markets where sufficient social legislation is still lacking (UNCTAD, 2004). This can be illustrated by the following: MNCs reunite a substantial amount of financial wealth with levels of Gross National Income (GNI) higher than the smallest countries in the world (Kegley, 2009, p. 210-211). The commitment of companies towards societal development is increasingly required and drives social auditing demanding for transparency and common standards (Goddard, 2006, p. 64, p. 66-67).

Social auditing is a measure to increase company’s compliance to social responsibilities and adds to the traditional financial auditing (Goddard, 2006, p. 64). This tool has been developed to hold businesses accountable and to enable stakeholder-oriented communication, with the positive effect of transparency and trust (Goddard, 2006, p. 77-78). On the other hand, challenges arise related to insufficient self-regulation and the complexity in identifying social indicators (Christmann & Taylor, 2006, p. 863, p. 875). For social auditing to be effective, it requires third-party monitoring, transparency, and substantive implementation (Christmann & Taylor, 2006, p. 873). Usually, social auditing is considered as complementary to the traditional financial auditing. Thus, it improves a company’s stakeholder communication and leverages its market legitimization so that it influences its competitive advantage positively (Christmann & Taylor, 2006, p. 869-872; Elkington, 1998, p. 19).

**Environmental dimension**

The environmental dimension of CS relates to the company’s interaction with the surrounding eco-system (Steffen et al., 2015, p. 1259855/6) and societies, which are considered as interrelated with the supporting biosphere (Robèrt et al., 2015, p. 7). From the late 1980’s on, environmental aspects of business practices became a political issue and were considered as interdependent with socio-economic issues (Gibson, 2006, p. 172; Keitsch, 2010, p.241). In contrast to the former understanding of environmental issues as being external to human activity, awareness arose that the previous decades of industrialization with its lack of environmental considerations and the resulting exploitation of natural resources have turned into tangible constraints and are in need of improvements (Cave, 2014, p. 97-98; Hopwood et al., 2005, p. 38-39; Robèrt et al., 2015, p. 9-10, p. 22).

The demand towards companies to be responsible not only for economic and social issues, but also for their environmental impacts arose when the interrelationship between positive environmental and socio-economic development became clear (Hopwood, 2005, p. 47) and were proven through research. In this context, environmental enclosures in annual reports became a measure to track and communicate environmental improvements (O’Donovan, 2002, p. 363). Closely related are requests for substantial changes in the way firms manage natural resources and operate their business in areas like production
and logistics (George et al., 2015, p. 1604-1606), which requires a strategic response to preserve, renew and reuse scarce resources. This claim is in line with the NRBV, which advocates that businesses need to act in an environmentally-conscious way due to the interrelationship between their operations and the environment (Hart, 1995, p. 987; Holmberg & Robèrt, 2000, p. 292).

Reporting of environmental footprints and environmental auditing including statements regarding CO2 emissions, energy use and waste management attract wide interest from stakeholders (Elkington, 1998, p. 20-21). In this context, the Triple Bottom Line (TBL) (Elkington, 1998) became a widely-used approach (O’Donovan, 2002, p. 344). Elkington (1998, p. 22) argued for the need to extend traditional financial reporting to include economic, environmental and social reporting to hold companies accountable not only for financial but also for their environmental and social performance. Implementing the TBL incorporates a stakeholder perspective in the decision-making with the benefit of creating legitimacy and long-term growth (Elkington, 1998, p. 19). Despite the increasing acceptance of the TBL reporting, it is also subject to criticism, as it does not consider the potentially conflicting relationship between the three measures, sufficient coordination of economic, environmental and social performances, and lacks practical guidance (Hahn et al., 2015, p. 298). Difficulties arise, for instance when it comes to a company’s environmental performance, which relates to the objective of decreasing harmful environmental impacts by implementing environmentally-friendlier business practices. This performance is difficult to measure as it varies across business sectors and even across business units of one company. Therefore, context specific objectives need to be defined. (Lankoski, 2006, p. 33)

Gradually, the environmental aspects of business practices became as influential as the social responsibility of companies (Elkington, 1998, p. 20). However, their importance is context-bound. In developed markets, MNCs focus more on the environmental factor, while firms in emerging markets mainly concentrate on the social part of CS (Hart & Dowell, 2011, p. 1466; Khanna & Palepu, 1997, p. 44-46).

Economic dimension
Making sustainability a business case is not easy (Eccles & Serafeim, 2013, p. 9) as the controversy relates to what extent environmental and social performance generate improved economic performance (Schaltegger & Wagner, 2006, p. 1). Studies show that catering to environment and social responsibilities generates success in terms of both financial and commercial measures. At the same time, results also reveal a degree of uncertainty related to the financial return and a long-term rather than short-term pay off (Clark et al. 2015, p. 9; Eccles & Serafeim, 2013, p. 8-9; Schaltegger & Wagner, 2006, p. 33). Since economic performance generally is argued to be the primary objective and driver of businesses (Friedman, 1970, p. 2; Devinney, 2009, p. 49), it is considered as the enabler of environmental and social performance (Campbell, 2007 p. 962, Clarkson et al., 2011, p. 142).

Despite the common agreement on the positive interrelationship between social, environmental, and economic performance, empirical studies show mixed results and apply numerous approaches (Schaltegger & Wagner, 2006, p. 2, p. 5). One reason for this difference in research relates to difficulties in calculating social, environmental, and
economic performance since they impact both costs and revenues at different points of time (Lankoski, 2006, p. 39). Investments in environmentally-friendly technology, for example, can generate an initial increase in costs, but a long-term increase in revenues, due to an enhanced brand value and higher stakeholder legitimacy. Therefore, companies often need to combine measures with different time horizons and high uncertainty factors, which causes confusion and limitations in practical usage. Hence, the evaluation of social and environmental performance often lacks efficiency and accuracy and their contribution to the economic success is, at best, circumstantial. (Lankoski, 2006, p. 39-44)

Despite the complexity of the measures, studies found strong evidence that social and environmental engagement drive firm value and attract investments (Clark et al., 2015, p.10; Rezaee, 2016, p. 48; UNEP Finance Initiative, 2007, p. 52-53). Sustainable Responsible Investments (SRI), for example, link corporate responsibility to corporate finance. As initiatives within the financial sector to align funding with the global goals of sustainable development (UNEP Financial Initiative, 2007, p. 73-75), SRIs are growing in scope and relevance (Clark et al. 2015, p. 10). Nevertheless, practical limitations are obvious as the majority of investors demand short-term pay-off, which contrasts the long-term perspectives of sustainable investments (Eccles & Serafeim, 2013, p.8-9). To relate long-term investments to short-term horizons, it is suggested to include Environmental, Social and Governance principles in the traditional financial quarterly reporting of companies (Eccles & Serafeim, 2013, p. 19) as well as of financial institution (UNEP Finance Initiative, 2007, p. 75).

As we can see, the pursuit of social and environmental objectives depends strongly on the capacity to generate a positive economic impact (Schaltegger & Wagner, 2006, p. 5), but latter is also considered as prerequisite for a company’s engagement in actions that yield beyond financial performance (Campbell, 2007 p. 964, Clarkson et al., 2011, p. 142).

### 3.1.2. Distinguishing Corporate Sustainability

“For organizations, a sustainability framework or model of social, environmental and, economic performance creates a powerful opportunity to create enduring value for multiple stakeholders”

( Epstein & Buhovac, 2014, p. 30)

Building on to the three elements of social, environmental and economic responsibility, the concept of CS emerged as a sum of the three and as a mean to contribute to substantial sustainable development (Lo, 2010, p. 313). The simultaneous pursuit of the three elements constitutes the foundation of business success. Thus, CS has become a strategic resource and a response to long-term business concerns (Kiron et al. 2015). To distinguish CS, Lo (2010, p. 312-313) separates means and goals: CS with its long-term strategic perspective represents the goal, while the three dimensions of corporate responsibility are the means to achieve it.
Montiel (2008, p. 255-258) conducts a literature review covering trends and perspectives within scientific research between 1970 - 2005 to distinguish CS and CSR. According to his analysis, CSR constitutes the origin, which, due to increased environmental concerns during the 1990’s, transformed into many new concepts, among them CS. Montiel (2008, p. 257) argues that, despite the excess of terms and concepts used, they have an overall similarity by aiming for a sustainable future. As difference, Montiel (2008, p. 259) points out that, in case of CS, the worldview is eco-centric, while in the context of CSR, it is anthropocentric. Implying that CS takes on a system-level perspective by considering economic, environmental and social dimensions as interconnected in a larger societal- and ecosystem, advocates for an eco-centric paradigm (Christen & Schmidt, 2012, p. 403-406). CSR, however, views the same three elements as rather independent and being in line with the present business paradigm, i.e. anthropocentric paradigm (Montiel, 2008, p. 258). Despite different points of origins and conceptions, Montiel (2008, p. 264), raises the question whether it would not be favorable to merge the two concepts into one because the boundaries are too blurry to be significant and the concepts are often used interchangeably.

Distinguishing CS or sustainability within a business context by stating a clear definition would be helpful but not easily done since the concept lacks a single common definition (Lankoski, 2016, p. 854; see appendix 1 for illustration CS concepts and frameworks). On the one hand, sustainability favors a broad inclusion of a variety of perspectives which avoids polarization and conflicting discourses (Hugé et al. 2013, p. 196). In this context, Carew & Mitchell (2008, p. 114) emphasize the need of sustainability to be taught as a “concept with both factual and value-based components, and [which] hence should and does manifest in variable ways” (Carew & Mitchell, 2008, p. 114). Therefore, researchers should not aim to reduce and simplify the concept, but consider the richness as a strength rather than a weakness (Hugé et al. 2013, p. 196-197). On the other hand, as companies show an increasing interest in sustainability and sustainable development, the general conception of CS gives rise to a variety of different understandings and interpretations of sustainability (Baumgartner & Rauter, 2017, p. 81). Ihlen & Roper (2014, p. 48) found that sustainability is undertaken as a company-centric approach, which means that it is based on a combination of committing to sustainability and contributing to economic performance.

In consequence to the above-mentioned differences in interpreting and understanding CS, the essential focus should not be limited to develop a single definition, but should be placed on clarifying the actual meaning of sustainability within a business context (Lankoski, 2016, p. 848). In order not to be hampered by the lack of a uniform definition, it is argued that there is a need to acknowledge the coexistence of different, still valid
conceptions of sustainability which will generate both incompatible and congruent outcomes (Lankoski, 2016, p. 847). Therefore, CS should be understood in terms of their constituent dimensions: scope (narrow or broad sustainability), substitutability (weak or strong sustainability) and goal-orientation (absolute or relative sustainability). By classifying sustainability through the characteristics of its constituent dimensions, eight types of basic conceptions of sustainability can be identified. These present a common frame of reference compensating for the inability of a uniform definition of sustainability (Lankoski, 2016, p. 856).

3.1.3. Strategic perspective on Corporate Sustainability

“CS strategies describe how sustainability issues are dealt with in practice” (Baumgartner & Rauter, 2017, p. 82)

Committing companies to participate in creating a better future is demanding and highly prioritized among societies and businesses (UN Global Compact, 2013, p. 4). The call for a change of unsustainable businesses demands a reevaluation of business strategies to guide sustainable improvements (Christen & Schmidt, 2012, p. 409; Hörisch et al., 2015, p. 241). The fact that businesses need to change their way of acting upon the environment and society is well accepted and agreed upon among politicians, policy makers and industries on a local and global level (UN Global Compact, 2017). The question about how to align theory with practice, however, remains unanswered (Hahn & Scheermesser, 2006, p. 152, p. 162). Studies indicate the increasing interest of managers to integrate CS: In 2011, 2,800 managers from 113 countries stated that they included sustainability in their management agenda (Kiron et al., 2012, p. 69). In 2013, two-thirds, i.e. 2,950 of the respondents, in the same study assessed sustainability issues as highly significant to their business, yet only 40% indicated them as largely addressed and 10% as fully tackled. (Kiron et al., 2013, p. 3) This underlines an obvious limitation in including CS within the strategic management and as a challenging task in practice.

To start with, changing unsustainable business practices and developing a strategic approach of CS need to be based on a solid theoretical foundation capturing complex global sustainability challenge (Broman & Robèrt, 2017, p. 18-19). There are primarily two distinguishing paradigms to follow (Montiel, 2008, p. 259; Robèrt et al., 2015, p. 10). The difference is whether to accept sustainability challenges as inevitable consequences of modern industrializations, however not systematically degrading the socio-ecological system or as socially designed errors, thus systematically diminishing the ecological foundation on which societies depends (Robèrt et al., 2015, p. 10). Sustainable development as defined and described in the report Our Common Future (WECD, 1987) became a proponent of the latter paradigm, which henceforth will reflect our view on strategic CS.

By addressing the sustainability challenge as the common point of departure, related objectives and strategies address how ecological integrity, social equality, and economic prosperity will be achieved (Christen & Smith, 2012, p. 407). Related to a strategic approach, reductionist thinking and simplifications about how to deal within sustainability issues need to be avoided (Baumgartner & Korhonen, 2010, p. 71-72). This is due to the fact that “dealing with individual problems, without a thorough
understanding of their interconnectedness at the appropriate systems level, often leads to sub-optimized investments and new and worse problems” (Robèrt, 2009, p. 209).

As mentioned before, addressing CS on a system level adds a strategic long-term approach, which responds to the criticism regarding the lack of strategic approach as one reason for its unsuccessful implementation (Baumgartner & Korhonen 2016, p. 72). Baumgartner & Rauter (2017, p. 82) underline that the “term ‘strategic’ implies that there is an overall goal, or some specific vision concerning the nature of success”. The authors criticize that management, due to the lack of a strategic orientation, has a limited ability to identify and attend to objectives that significantly contribute to sustainable development (Baumgartner & Rauter, 2017, p. 82).

Baumgartner & Rauter (2017, p. 82) discuss three dimensions of a CS strategy, namely strategy process, strategy context and strategy content. Hence, the strategy process designates the development phase and construction of the strategy. The strategy context relates to the surrounding conditions enabling or/and limiting the strategic activities by e.g. legislation and access to resources. The strategy content encompasses the results of the strategic activities, i.e. the outputs, that should reflect the pursued goals set in accordance with the stakeholders’ interests. Taking the purpose and the overall objective as the starting point, all three interrelated parts of a strategy need to be considered when developing strategic CS. (Broman & Robèrt, 2017, p. 73)

Engert et al. (2016, p. 2833) stress that a strategic approach of CS needs to integrate sustainability issues within the overall strategic management. This, however is proven to be limited and challenging in practice. A literature review of 114 related articles documented an increasing interest indicated by the number of studies performed within the research field. The literature review shows three essential areas linked to the integration of CS within strategic management. Organizational circumstances capture internal factors determined by company size, scope, and structure as well as external ones related to industry type, structure and position. Internal and external drivers designate legal compliance, competitive advantage, cost reduction and economic performance, innovation, social and environmental responsibility, risk management, corporate reputation, and quality management. Lastly, supporting and hindering factors of integration examine management control systems, stakeholder engagement, organizational learning and knowledge management, transparency and communication, management attitude and behavior, organizational culture, complexity and investments (Engert et al., 2016, p. 2838-2842).

### 3.1.4. Implementing Corporate Sustainability

After pointing out the importance of a strategic approach to CS, the question about how to best implement it arises (Hörisch et al., 2015, p. 241). Models of societal development and sustainability therefore need to enable identification of concrete objectives and measures. The problematic is to establish measures that ensure a sufficient outcome and don’t lead to an inappropriate pursuit of the scientific foundation of the sustainability challenge (Christen & Schmidt, 2012, p. 400-401).
Approaching CS on a strategic level, by integrating it in strategic management and overall corporate objectives, is highly relevant, but still with limited use in practice (Broman & Robert, 2017, p. 28). A longitudinal study performed by MIT Sloan Management Review and The Boston Consulting Group documents a strong increase in the strategic importance of CS, yet with a significant difference between managerial intentions and actions (Kiron et al., 2013, p. 3-4). However, less positive findings indicate an increase in failure rate by 12%, from 8% to 20%, related to the unsuccessful implementation of sustainability as a business case (Kiron et al., 2013, p. 4).

We will use the rationale outlined by Hörisch et al. (2015, p. 242) for the description of CS implementation. When implementing CS, it is essential to start with a clear understanding of the status of the existing sustainability performances within the company. Here, accounting and reporting tools are proven to be useful in the initial stage of collecting and analyzing information needed for further decision-making (Hörisch et al., 2015, p. 242). The information could reveal reasons for negative impacts and quantify these impacts, for example, the use of energy and raw material (Hörisch et al., 2014, p. 242). In a later stage, sustainability accounting tools can also be used to track changes and support the implementation of CS in line with a strategic approach (Hörisch et al., 2015, p. 247). After evaluating the status quo of the sustainability performance, the next stage is to set overall objectives, strategies and guidelines for operational practices. Here, different frameworks, some of which are presented later in this chapter, are used to translate CS into tangible and specific business strategy and practice. (Amini & Bienstock, 2014, p. 12).

Besides the status of the sustainability performance, it is important to identify the underlying strategic reason for committing to sustainability. This motive refers to the advantage recognized by the management, as well as the potential realized societal value of the company. Both constitute the basis of a coherent CS strategy. Strategic reasons can range from normative-ethical to pure economic reasons and will define the superior goal. In case of a company committing to CS out of normative-ethical reasons, it considers sustainability “as a superior goal that is motivated by ethical issues” (Baumgartner & Rauter, 2017, p. 83). If the strategic reason is purely economic, financial return and monetary advantages are pursued. Evaluating the societal value is context-related and should depict the societal contribution that the company generates related to sustainability. (Baumgartner & Rauter, 2017, p. 83) This represents a challenging task which, as mentioned earlier, requires a high degree of understanding of social and environmental interrelationships on a global system-level as well as the degree of present and future objectives of strategic CS.

When the strategic reason and societal value are determined, the strategic content and its outcome should distinguish between first- and second-order sustainable performance, referring to short- and long-term sustainability performance, with the latter enabling systematic improvements based upon organizational learning. The second-order performance is, in that sense, more progressive and has proven to create a larger societal and business value as it aims at substantial and thus, long-lasting change within the company (Baumgartner & Rauter, 2017, p. 86, p. 89; Broman & Robert, 2017, p.27).

The business value mentioned above can be categorized as complementary, competitive or irrelevant of the societal value. If complementary, goal fulfillments within both societal
and business values strengthen each other. In case the two value systems are competitive, goal-fulfillments within one of the two values will limit fulfillments of the other. If they are categorized as irrelevant to each other, the goal-fulfillments are not related at all. Generating business value out of a sustainability strategy is challenging and requires the analysis of the company’s interest. According to Baumgartner & Rauter (2017, p. 86-87), a sustainability strategy can relate an increase in efficiency and productivity, new product development/innovation and risk reduction. The generation of business value, however, is linked to uncertainty and trade-off considerations. Value generation is only possible when the relevant opportunities are identified, either narrowly by reducing costs or increasing profits or more broadly by strengthen competitiveness and improving innovation capacity (Baumgartner & Rauter, 2017, p. 86-88).

With the aim to capture challenges related to the practical implementation of CS, Broman & Robèrt (2017, p. 23-26) present the Framework of Strategic Sustainable Development (FSSD). It offers practical guidance regarding the identification of business-specific improvements towards sustainability. A funnel metaphor illustrates the systematic degradation of the environmental and social systems, which needs to be reversed. Increased unsustainability leads to entering deeper into the funnel with limited possibilities, while progressive sustainability enables the reverse movement, thus offering increased possibilities (Broman & Robèrt, 2017, p. 21).

This view stresses the self-benefits of taking on sustainable business practices, since unsustainable businesses run a higher risk of encountering limited business opportunities. Nevertheless, the implementation of strategic CS represents a complex decision-making process which needs to balance proactivity with potentially high initial costs and reactivity with a potential lock in effect and loss in competitiveness (Broman & Robèrt, 2017, p. 24; George et al. 2015, p. 1605). Although FSSD supports a thorough understanding of the theoretical system-level challenges of sustainable development, the major limitation is its lack of practical implementation (Broman & Robèrt, 2017, p. 28).

In response to the extensive framework presented by Broman & Robèrt (2017), Amini & Bienstock (2014, p. 18) approach CS by taking a non-system-level perspective. They aim at supporting the implementation of strategic CS in practice, with a framework that can be easily translated into business activities and actions (Amini & Bienstock, 2014, p. 15). Rezaee (2016, p. 48-49) takes a somewhat extended approach by constructing a framework built on five dimensions of sustainability, namely economic, governance, social, ethical and environmental. He argues that, to create value, all stakeholders and the five sustainability dimensions need to be considered. The framework aims at merging current research and a literature review on CS including the aspects of e.g. sustainability theory, standards, risks, performances and reporting (Rezaee, 2016, p. 49).

### 3.1.5. Evaluating Corporate Sustainability

A possibility to evaluate the implementation of CS is to assess the three constituent dimensions of CS, namely scope, substitutability and goal-orientation (Lankoski, 2016, p. 852). The scope refers to the boundary of sustainability, i.e. which sustainability issues are to be included (Lankoski, 2016, p. 851). Thus, the scope indicates if sustainability is understood as narrow or broad. The latter encompasses a tridimensional construct of
environmental, social and economic issues, while the former excludes one or two CS elements. Substitutability relates to the internal relationship between the defined sustainability issues and indicates to which extent “good performance in one issue can compensate for poor performance in another” (Lankoski, 2016, p. 851).

As Hahn et al. (2010, p. 217) argue, there is often a trade-off relationship between different sustainability issues which, at best, results in a situation beneficial for the social, environmental, and economic performance. However, companies face tensions and conflicting interests because often, social, environmental and economic issues do not reinforce each other simultaneously (Hahn et al. 2010, p. 218). The degree of allowing substitutability between sustainability issues indicates whether sustainability is understood as weak or strong. A high level of substitutability results in a weak sustainability, while a low level translates into a strong sustainability where all three CS elements are regarded as individually important (Lankoski, 2016, p. 851). In other terms, a high degree of substitutability allows the substitution or compensation between different sustainability issues, which gives a more permissive interpretation of sustainability, which is thus labelled weak sustainability (Lankoski, 2016, p. 852). The frequently mentioned win-win paradigm often recommends committing to sustainability as long as it generates overall positive financial outcomes, which can lead to “e.g., compensating for intensive use of natural resources with climate neutrality” (Lankoski, 2016, p. 852) Strong sustainability, on the contrary, precludes such exchange and advocates for each sustainability issue to be evaluated individually, which means that positive value needs to be generated in all the social, environmental and economic element (Lankoski, 2016, p. 851). The last constituent dimension goal-orientation indicates against which measure sustainability goals are set and evaluated. Sustainability is absolute when it is measured against a critical, fixed indicator and relative whenever the goals refer to an external reference point (Lankoski, 2016, p. 853). Again, relative sustainability is more soft than absolute sustainability and generally easier to comply (Lankoski, 2016, p. 853). The following table depicts the different combinations which each dimension can take. Besides introducing these eight categories, the table also presents the expected objective of each combination.

Although the conception of sustainability varies and depends upon e.g. the business context in which the CS strategy is embedded, using Lankoski’s (2016, p. 54) basic typologies allows to evaluate the comprehensiveness of CS. The first combination indicates a high level of comprehensiveness with a scope indicating a broad sustainability, which includes a variety of sustainability issues reaching from social, environmental to economic. The substitutability is limited which supports a strong sustainability by considering each sustainability element as important and not substitutable with each other. When it comes to goal-orientation, the sustainability is absolute in the sense that it is measured against a critical and distinctive objective. The following basic types (two - seven) could accordingly be characterized as less comprehensive in varying degrees. The last type represents the lowest level of comprehensiveness as it encompasses fewer sustainability issues, allows substitution between different sustainability elements and is measured in softer and relative goals.
Table 1: Typologies of CS (Lankoski, 2016, p. 853)

<table>
<thead>
<tr>
<th>No.</th>
<th>Alternative conceptions of sustainability</th>
<th>Objectives of strategic CS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Scope</td>
<td>Substitutability</td>
</tr>
<tr>
<td>1</td>
<td>broad</td>
<td>strong</td>
</tr>
<tr>
<td>2</td>
<td>broad</td>
<td>strong</td>
</tr>
<tr>
<td>3</td>
<td>broad</td>
<td>weak</td>
</tr>
<tr>
<td>4</td>
<td>broad</td>
<td>weak</td>
</tr>
</tbody>
</table>

As presented through these different typologies, CS is a concept which can be interpreted in different ways due to underlying assumptions and understandings. These differences can exist within one company, but are usually more pronounced across companies and industries. Furthermore, it is assumed that the scope, substitutability and goal-orientation of sustainability change over time (Lankoski, 2016, p. 854-856). Such developments, can, for example be found in the M&A environment. Studies show that a M&A deal incite changes within an organization which are then also reflected in developments related to CS (Madhok & Keyhani, 2012, p. 27; Syrjälä & Takala, 2009, p. 265). Therefore, the strategic sustainability engagement in the context of M&A activity is assumed to evolve, but also to cause conflicts due to the different conception present in the companies involved.

With the attempt to better evaluate essential aspects of the strategic implementation of CS, Baumgartner & Ebner (2010, p. 81-87) present a framework of sustainability profiles and maturity level evaluation. The sustainability profiles are based on the fundamental economic, environmental, and social dimensions of CS and ranked according to their degree of maturity. The economic dimension includes innovation and technology, collaboration, knowledge management, processes, purchase and sustainability reporting, and relates to the fundamental ability of long-term survival on the market (Baumgartner & Ebner, 2010, p. 78-79). The environmental dimension includes: use of resources, emissions, waste, biodiversity, and environmental life cycle assessment (Baumgartner & Ebner, 2010, p. 79). The internal social dimension includes corporate governance, motivation and incentives, health and safety and human capital development, and relates to the relationship to present and future stakeholders (Baumgartner & Ebner, 2010, p. 79-80). The external social dimension includes ethics and human rights, controversial activities, corruption and corporate citizenship.
Depending on the specific business practice to study and the maturity of the sustainability dimensions, different strategies emerge, which are based on a four-level maturity grid (Baumgartner & Ebner, 2010, p. 81). Levels 1 and 2 represent a beginning to elementary level marked by legislative compliance or initial implementation of CS slightly above related legislations (Baumgartner & Ebner, 2010, p. 81). Levels 2 and 3 are called satisfying and sophisticated level, respectively. They are characterized by a CS implementation above industry index or with outstanding performance (Baumgartner & Ebner, 2010, p. 82). (see appendix 3 for classification criteria) The matrix of sustainability aspects and maturity levels of business generates four strategy profiles which are supposed to reflect industry and business specific contexts. The sustainability profiles are named introverted, extroverted, conservative and visionary and enable the identification and evaluation of the development related to the sophistication of CS strategies (Baumgartner & Ebner, 2010, p. 81-87).

After the review of relevant literature, we indicate that, for our study, we selected the tools presented by Lankoski (2016) and Baumgartner & Ebner (2010) (see figure 3).

3.2. Mergers & Acquisitions

The field of M&A is broad and can be viewed from many different angles ranging from financial to strategic. Since our thesis focuses on the changes in CS in a post-merger environment, the following sections will emphasize the strategic point of view on M&As. The first one offers an overview of the concepts, different types and regulations related to M&As. Afterwards, the general motives and challenges for M&As are outlined before shedding more light on the specific reasons and obstacles linked to cross-border M&As into developed markets and carried out by EMNCs. Following this, the M&A process is presented with a special focus on the integration approach of EMNCs.

3.2.1. Mergers, acquisitions, and demergers

As mentioned in the introduction, a new record on global M&A activity was reached in 2015 (Thomsen Reuters, 2016). Additionally, emerging market companies’ investment in cross-border M&A in developed countries makes up about 10% of the global volume invested in cross-border M&A deals (United Nations Conference on Trade and Development [UNCTAD], 2016, p. 39). This development can be explained when looking at the following relationship: M&A waves exist which positively correlate with general economic growth (Berk & DeMarzo, 2017, p. 995). Since the global real GDP increased by 5.4% in 2015 (compared to 2014) (Statista, 2015), the high level of activity on the market for corporate control is no surprise.

Having said that, it is important to address the complexity of this field, starting with the abbreviation M&A. Even this term can be divided into three distinct parts, namely mergers, acquisitions, and demergers (see appendix 4 for illustration). The common point of the three types is the fact that they concern a substantial business transaction since either two formerly individual companies come together and join their resources or one company separates itself from a part of its operations (Hooke, 2014, p. ix; McGrath, 2011, p. 5-6). The setting, however, is quite different (Berk & DeMarzo, 2017, p. 996-997): Mergers are the result of an agreement between two companies which decided to join
their forces. To exemplify this, company A and company B merge to create a new entity C which consists of the assets of A and B. Usually, the control and ownership rights are divided per the weight of assets each company brought in (Berk & DeMarzo, 2017, p. 997). Consequently, the shareholders remain the same as before the merger, because both shareholder groups, those from company A and B, now hold equity in the new entity C (Berk & DeMarzo, 2017, p. 997).

In the case of an acquisition, one company takes control of another company and integrates it into its business (McGrath, 2011, p. 6). Often, the owners of the acquiring company then take ownership of the target company, so that the shareholders of the target company cede their ownership rights in exchange for a certain amount of money (Berk & DeMarzo, 2017, p. 995). Here, we can also distinguish between friendly and hostile takeovers with the first being carried out in accordance with the target firm’s shareholders, while the latter implies that the acquiring company takes a majority stake in the company without the consent of the managers (McGrath, 2011, p. 34).

The last possible type of deal included in the term M&A is the opposite operation of a merger or an acquisition: A demerger occurs when a company decides to drop parts of its business operations. Ways to demerge are: conducting an asset sale to an acquiring company, initially listing it on the stock exchange (Initial Public Offering) or managers buying a majority stake in the company, thus becoming its owners (Management Buyout) (McGrath, 2011, p. 8).

Types of M&As
In addition to the distinction explained above, the type of deal can be further divided into three categories. The first one called horizontal M&A where both companies operate in the same industry and take the same place in their value chain (Angwin, 2007, p. 82; Ansoff, 1957, p. 116; McGrath, 2011, p. 10). Such a M&A deal impacts the industry structure in the way that a larger company came into existence which may suddenly leap into the top-tier of an industry (which is often the aim). An example is the merger between Daimler-Benz and Chrysler in 1995, which led to the creation of DaimlerChrysler AG, a company which, in terms of revenues, took its place among the top three market players in the US American market (Daimler AG, 2017). In case of a vertical M&A, two companies whose businesses can be placed along the same value chain are involved (Ansoff, 1957, p. 116; McGrath, 2011, p. 10). We also refer to this case in terms of backward or forward integration (Porter, 2008, p. 30), which designates the fact that a company acquires or merges with its supplier or its customer company to gain power along its value chain (Angwin, 2007, p. 82; McGrath, 2011, p. 10-11). The last type is called conglomerate M&A and refers to a M&A deal between two companies operating in two unrelated industries (Ansoff, 1957, p. 116; McGrath, 2011, p. 10f). Here, the expectations of achievable synergies are low, but the deal takes on a more speculative notion (McGrath, 2011, p. 11). When we take a closer look at the EMNCs in general, we notice that most of these companies are large business groups which are highly diversified (Khanna & Palepu, 1997, p. 41; Kumar, 2009, p. 116), yet also highly integrated (Khanna & Palepu, 1997, p. 48f). Therefore, they often engage in vertical and conglomerate M&A deals which are increasingly carried out on an international level (UNCTAD, 2016, p. 39).
The Tata group, India’s largest privately-held business group, is one example of an EMNC which has gained traction on a global level with over 100 companies operating in more than 100 countries (Tata, 2016). Famous for its innovative Tata Nano, the first car which was entirely developed in India, Tata’s operations not only encompass its car division, but also industries such as steel production, hospitality, and financial consulting services (Tata, 2016). One high profile acquisition of a developed market company was carried out in 2008 when the Indian conglomerate took over the British car manufacturer Jaguar Land Rover (Tata, 2016), thus strengthening its international presence and growing global power.

**M&A regulations**

Regardless of their type, M&A activity is regulated in most of the countries around the world (McGrath, 2011, p. 21). Usually, M&A deals need to be approved prior to closure by national and or transnational authorities depending on the context of the deal (McGrath, 2011, p. 22). Therefore, regulations can facilitate M&As or hindering them by imposing a large regulatory burden on firms wishing to acquire or to merge. Protective national authorities may discourage foreign companies to acquire domestic ones, such as in the Chinese market by imposing limits on the deal volume, demanding, for example, high taxes in the deal value (Pang & Cainey, 2009, p. 2-3). As we have seen earlier, M&A deals also alter the structure of an industry and change their market power (McGrath, 2011, p. 10). Large transactions, i.e. M&A deals between two powerful players, usually require the approval of a national cartel authority which pays heed to the competitive forces in a market (Bundeskartellamt, 2017). Approval can be granted under certain conditions, e.g. the acquiring company needs to sell other business operations before carrying out the deal or it is only allowed to acquire / merge with a certain part of the other firm, or denied (Bundeskartellamt, 2017). In case of an international M&A, the regulatory considerations are even more complex as several authorities are involved and more than one legal barrier needs to be considered (McGrath, 2011, p. 21). An example for a facilitating measure on a transnational level was the introduction of a European law stipulating that cross-border M&A deals within the European Union only needed the approval and the oversight of the European Commission (McGrath, 2011, p. 22). Despite such improvements, paperwork and other administrative burdens are still heavy and the costs of an international M&A exceed the ones for a national one, which means that the targeted synergies and other advantages must outweigh these superior costs.

### 3.2.2. General motives for and challenges of M&A deals

M&As are a risky activity and many deals fail to realize the promised advantages and improvements. Experts estimate the percentage of M&As that don’t reach their initially drafted benefits amounts to 50-80% (McGrath, 2011, p. 13). Despite this high failure rate, the record volume of announced deals set in 2015 (Thomsen Reuters, 2016) shows that countless businesses engage in this activity for various motivations. The most common ones are outlined in the following.

**Strategic motives**

In accordance with Jemison & Sitkin (1986, p. 145) and the RBV (Barney, 1991, p. 206), we assume that M&As enable a firm to break the strategic path-dependency and drive change within the company. In consequence, the newly acquired resources give rise to a
precious window of opportunity to reshape a company’s strategy and to give it new impulses (Jemison & Sitkin, 1986, p. 145147). Therefore, companies might carry out M&As in anticipation of significant changes in their environment, i.e. in the way in which business is done (Angwin, 2007, p. 93). Such a strategy allows the company to buy the resources necessary to prepare and cope with the changes by developing new capabilities and creating resilience (Angwin, 2007, p. 93; Van Der Vegt et al., 2015, p. 973).

Following the rationale that business extensions lead to a diversification of firm resources, more motives are identified. The diversification also reduces the firm’s dependency on one market or industry, thus improving its risk profile (Ansoff, 1957, p. 119; Berk & DeMarzo, 2017, p. 1002; McGrath, 2011, p. 11). From a financial point of view, this is advantageous for the company as a risk reduction generally results in lower costs when borrowing and thus, a higher capacity of raising funds (Berk & DeMarzo, 2017, p. 1002; Haspeslagh & Jemison, 1991, p. 46-47). However, shareholders may not value a high diversification as assets are tied up in diverse business operations whose contributions to the company success may vary substantially (Khanna & Palepu, 1997, p. 48). Therefore, the market valuation of highly diversified companies in developed countries may suffer from a ‘diversification’ discount (Berk & DeMarzo, 2017, p. 1005). An example for this case is the demerger of FNAC, a French entertainment retailing chain, from its parent company Kering, formerly PPR, in 2013 (Kering, 2016). The project, which was announced in 2012, was part of the groups focus strategy as its share price deviated from its objective due to the diversification in business operations (Kering, 2016). Therefore, FNAC was spun-off and listed on the Paris stock exchange as independent company in 2013 (Kering, 2016). PPR, which changed its name into Kering around the same time, kept on acquiring related businesses to boost its market visibility and foothold (Kering, 2016).

The consideration which pushed Kering to acquire companies fitting its new streamlined business can be explained by the company’s aspiration to get hold of superior resources controlled by competitors (Angwin, 2007, p. 88; Berk & DeMarzo, 2017, p. 1000). This case of horizontal M&A deals also leads to a market consolidation, a higher market share of the company and to an increase in revenues (Angwin, 2007, p. 85-86; Ansoff, 1957, p. 116-118; Berk & DeMarzo, 2017, p. 1000). On the cost side, the possibility to realize economies of scale and / or scope adds to a potential growth in revenues (Angwin, 2007, p. 87; Berk & DeMarzo, 2017, p. 999). Companies see both effects, the one on the revenue and the other on the cost side, as positive drivers for their profits in consequence to a change in its competitive position (McGrath, 2011, p. 10). As Angwin (2007, p. 88) states, one overlooked motivator for companies to carry out a M&A deal is the fear of becoming a target themselves. Therefore, a growth in their market power, as described before, is considered as means to prevent an acquisition by a competitor.

Financial motives
In addition to these more strategic reasons to engage in M&As, we also find motives related to financial topics (Angwin, 2007, p. 79). Regarding the financial dimension, three main categories exist. Firstly, M&As address the issue of financial efficiency. From this point of view, a company in a strong financial situation may buy a company which finds itself in a weak financial situation, which usually means with high debts and cash flow problems (Angwin, 2007, p. 81; Berk & DeMarzo, 2017, p. 1021). Assuming the latter is
listed on a stock exchange, it is most likely underpriced due to the potential risks associated with high debts. A M&A in such a situation leads to a relative low transaction price for the buyer, while the seller benefits from the stronger financial position of its parent company by lowering its interest rates and gaining access to capital for investments (Berk & DeMarzo, 2017, p. 1005). Such a deal may have been struck with the intention to strip the assets shortly after the closure (Johnson et al., 2014, p. 334).

Asset stripping is a quick method to realize a financial benefit from an undervalued company and can be applied when, as mentioned before, the assets of a company are worth more than the price that needs to be paid (Berk & DeMarzo, 2017, p. 1005; Johnson et al., 2014, p. 334). In this case, the acquiring company has interests to split the assets of the target company into individual units and resell them as to achieve a quick financial return on its investment (Johnson et al., 2014, p. 334). This approach is often associated with private equity firms, which are known to focus on the generation of high financial benefits rather than in running the business or turning it around (Berk & DeMarzo, 2017, p. 70).

John Icahn’s private equity firm is a famous example for an investment fund pursuing this strategy. One of the most recent activities involved the American company Time Warner. In 2006, John Icahn and his company held enough stock to claim a seat in the Board of Directors (Levingston, 2006). In the context of a decrease in profits and revenue, Icahn asked for the CEO to step down and proposed to structure the conglomerate into four different companies, with each of them combining the business operations in one specific industry, i.e. cable infrastructure and movies, internet provider, TV channel, publishing (Heise Online, 2006). The CEO Richard Parsons, however, refused to give up his position and to divide the company, which led to several weeks of power fight. Finally, John Icahn and Time Warner reached a compromise which promised a high financial return to the investors in consequence to severe cost-cutting measures and share buybacks. (Levingston, 2006)

The third category of financial motives is tax-related. The acquisition of a company in a country whose tax regime is more favorable than in the one in which the company is currently operating, allows to shift profits within the group and thus, reducing the amount of taxes payable to the treasury (Angwin, 2007, p. 81; Berk & DeMarzo, 2017, p. 1001). Advances in international regulations, however, made these reasons nearly invalid as it has become difficult to conduct such tax avoidance accounting operations (Berk & DeMarzo, 2017, p. 1001).

Managerial motives
Managerial motives for M&As, as the name indicates, usually reflect the individual interests of senior managers (Berk & DeMarzo, 2017, p. 1003-1005; Johnson et al., 2014, p. 334-335). The first reason for a manager to initiate a M&A is out of personal ambition. In a short-term perspective, a M&A increases revenue, which most likely will increase the manager’s personal bonus and improves personal reputation, once again, with a short-term perspective (Angwin, 2007, p. 79; Berk & DeMarzo, 2017, p. 1004). Managers who plan to take a position in another company fit best in this profile of the merely short-term oriented person. Additionally, this behavior often reflects overconfidence and managerial hubris (Angwin, 2007, p. 79; Berk & DeMarzo, 2017, p. 1004).
In the beginning of this section, we pointed out that, in general, M&A activity on the market for corporate control follows cyclical patterns which are closely linked to economic up- and down-turns (Berk & DeMarzo, 2017, p. 995). The so-called bandwagon effect intensifies this relationship as follows: Often, one M&A deal leads to others, which also incites new deals (Angwin, 2007, p. 90; Johnson et al., 2014, p. 445). This self-reinforcing cycle comes to existence because competitors or companies along the supply chain might feel pressured to engage in M&A activities if one of their peers does so. The pressure is linked to the risk of falling behind, losing their foothold in the market and / or their negotiation power when dealing with a substantially larger counterpart (Johnson et al., 2014, p. 335).

**Challenges**

As mentioned in the introduction of this chapter, between 50% and 80% of M&A deals fail (Angwin, 2007, p. 77; McGrath, 2011, p. 13). The definition of failure in this context has been widely discussed as two main perspectives oppose each other. The first defines failure in strictly financial terms, meaning if the M&A didn’t yield the expected economic value for shareholders, the deal is considered a failure (Berk & DeMarzo, 2017, p. 1005; McGrath, 2011, p.13-14; Mellen & Evans, 2010, p. 1-3). The second perspective takes other values than the pure financial ones into account and states that the measurements applied when determining deal failure and success are flawed due to their sole focus on financials (Angwin, 2007, p. 78-80). Therefore, one challenge inherent in a M&A deal is for the companies to determine what constitutes success in their point of view.

Another challenge relates to the human factor and organizational cultures. The two companies entering a M&A deal have different systems, structures, values, and another organizational culture (McGrath, 2011, p.11-14). The change which is necessary to create the projected synergies is not easy to achieve as it is difficult to manage and even harder to reach acceptance on an individual level (Jemison & Sitkin, 1986, p. 145-147; Grouard & Meston, 2005, p. 11). In most of the cases, the top management fails to reach out to the employees, which are the company, and to motivate them to work towards the new aim guided by the new strategy (Grouard & Meston, 2005, p. 3).

One of the most famous failures of a M&A due to cultural issues is the merger between Daimler-Benz and Chrysler, which was described earlier. Once celebrated as the merger of the century, the new company DaimlerChrysler soon encountered problems, such as differences in communication style and the degree of activity planning and work structuring. These discrepancies led to internal conflicts and inefficiencies, which is why DaimlerChrysler rapidly lost market share in the US and its market valuation dropped to a level close to Daimler-Benz’s before the deal (Thomas, 2013, p. 6). Therefore, Daimler decided to sell Chrysler for about a tenth of the initial deal value (Daimler AG, 2017). Here, we can see that M&As are high-risk activities and an engagement in one needs to be evaluated carefully, at best with an alternative plan in case of failure.
3.2.3. Factors linked to cross-border M&As of EMNCs

Cross-border M&As add on more dimension to M&As, namely internationalization. In our context, we focus on one specific type of cross-border M&As, those by EMNCs. Such deals have attracted attention from various researchers as they introduced new dimensions into the theoretical consideration of strategy scholars (Khanna & Palepu, 2006, p. 60-62). Therefore, it is important to consider the concepts of internationalization and EMNCs before explaining more in detail the combined issue and the EMNCs’ specificities.

Challenges in internationalization

The internationalization literature is broad and well developed and thus, displays a richness in terms of models and concepts about how companies internationalize (Tallman & Fladmoe-Lindquist, 2002, p. 116). Many researchers emphasize the importance of staged internationalization models which apply the following logic: Since entering a new market creates uncertainty and the need to acquire the necessary capabilities to be able to compete in this environment, a company might prefer to slowly increase its commitment to the market in accordance with its performance and the development of its experience and knowledge (Johanson & Vahlne, 2009, p. 1411). Initially, licensing or exporting are typical activities to enter a foreign market (Johanson & Vahlne, 2009, p. 1412). As time passes and the familiarity with the business context increases, a company’s exposure develops by establishing production facilities in the foreign market and eventually by entering equity-based commitment, such as joint ventures or eventually wholly owned subsidiaries (Johanson & Vahlne, 2009, p. 1412).

The implications of above described approach are twofold. First, it aims at reducing the multidimensional concept of distance (Ghemawat, 2001). The CAGE framework captures the four main dimensions of distance, namely *culture, administration, geography*, and *economy* (Ghemawat, 2001, p. 139-141). *Cultural* distance refers to differences in language, norms, values, and other culture-related factors. This dimension not only influences customer behavior and expectations, but also the managerial style deployed. According to Ang & Michailova (2008, p. 569) the higher the cultural distance, the more difficult for a company to successfully start business in the respective market, thus a company needs to find means to decrease this distance to have success. When it comes to regulations and other governmental-related issues, *Administrative* and political distance plays an important role when evaluating a country’s overall distance. In addition to these two categories, *Geographical* distance, including the physical distance as well as the telecommunications and logistical infrastructure, must be accounted for. The final dimension is linked to the *Economic* differences of a country in terms of how wealthy the country is. By assessing these four categories, a company can estimate a country’s distance relative to the company’s origin (Ghemawat, 2001, p. 146). To overcome this distance, companies in Western countries have generally followed an incremental internationalization process, as it is outlined above.

The second implication of the internationalization model outlined in the context of the updated version of the Uppsala internationalization model by Johanson & Vahlne (2009) relates to a company’s position relative to a country’s business network (Johanson & Vahlne, 2009, p. 1413). The liability of outsidership arises out of the fact that when entering a market, a company may take a position outside the existing network relationships (Johanson & Vahlne, 2009, p. 1415). This implies that the company lacks
knowledge about the market and its business networks, i.e. the partners with which the company aims at conducting business (Johanson & Vahlne, 2009, p. 1416). The liability of outsidership adds to the, in the first model, developed liability of foreignness, which refers to the burden a company must overcome due to the simple fact that it operates outside its domestic market (Johanson & Vahlne, 2009, p. 1415-1416). The liability of foreignness encompasses three elements: the difficulty to access market- and industry-related information, the need for a foreign player to establish legitimacy within the new market and thus, achieve acceptance by the other players and the challenge to transfer the competitive advantage into a new environment (Zaheer, 1995, p. 343).

In their revised work, Johanson & Vahlne (2009, p. 1423; 2013, p. 190-191), stress the importance of the network-based perspective combined with considerations linked to the concept of distance (Ghemawat, 2001, p. 146). In this context, the revised Uppsala model incorporates “dynamic, cumulative processes of learning, as well as trust and commitment building” (Johanson & Vahlne, 2009, p. 1423), which are essential for the understanding of a company’s decision regarding market choice and degree of commitment. In the context of a cross-border M&A, however, the overall distance between the emerging market and the targeted developed one, is substantial and they are subject to the liability of foreignness and outsidership (Barnard, 2003, p. 165; Madhok & Keyhani, 2012, p. 31). In addition to these two liabilities, Madhok & Keyhani (2012) identify a third liability, the liability of emerginess, which is specific to EMNCs. The liability of emerginess refers to the burden which EMNCs face because they are from an emerging market (Madhok & Keyhani, 2012, p. 28).

These considerations indicate a high level of challenges which need to be overcome when internationalizing (Nayyar, 2008, p. 113), and rather hint at a gradual internationalization process. EMNCs, however, have surprised many researchers and businessmen with their bold and fast moves when it comes to entering a developed market (Khanna & Palepu, 2006, p. 65; Kumar, 2009, p. 116; Nayyar, 2008, p. 111), an approach which differs substantially from their counterparts originated in developed countries (Khanna & Rivkin, 2001, p. 50-51).

**Internationalization of EMNCs**

When linking the RBV to M&As, several authors argue that these deals allow companies to acquire resources, including knowledge and market-relevant advantages (Barney, 1991, p. 205; Hart, 1995, p. 998; Wernerfelt, 1984, p. 175). In consequence, to establish arguments about why EMNCs differ from their developed counterparts, we need to consider specificities linked to EMNCs’ resources (Khanna & Rivkin, 2001, p. 46; Kumar, 2009, p. 116). Most EMNCs are large, successful business groups which have accumulated substantial financial resources (Athreye & Kapur, 2009, p. 211) thanks to the past years of fast economic growth in emerging markets (Khanna & Rivkin, 2001, p. 68; Kumar, 2009, p. 116). On the other hand, EMNCs lack technology sophistication and experience in highly liberalized markets (Khanna & Palepu, 2006, p. 62). When connecting this to the aspects of internationalization explained above, M&As present a suitable mean to fit the strategy of most EMNCs which wish to internationalize rapidly (Kale, 2009, p. 41; Luo & Tung, 2007, p. 482). Through a cross-border M&A into a developed market, the EMNC acquires complementary assets such as knowledge, experience, access to natural resources as well as easy access to the specific business
network. This allows EMNCs to overcome the three liabilities efficiently by deploying the resources, they possess abundantly, i.e. financial, and acquiring the lacking ones (Luo & Tung, 2007, p. 489). This perspective explains why EMNCs approach internationalization differently than most of their developed counterparts.

Another implication of the emergence of cross-border M&As by EMNCs relates to international knowledge transfer. As Kogut & Zander (2003, p. 520) state, multinational corporations display a higher efficiency when it comes to transferring resources, especially knowledge, across borders. This is in line with the argumentation underpinned by Williamson’s (2010, p. 678-680) transaction cost view which sees internationalization as a means to lower costs regarding knowledge and technology transfer across borders. The internal markets which MNCs create through the international expansion are characterized by multiple, flexible, yet strong ties and highly efficient (Kogut & Zander, 2003, p. 520-521). This can be related to the RBV as it indicates that, by internalizing certain activities, MNCs deploy their resources more efficiently and thus, create higher value than their competitors, which leads to the materialization of a competitive advantage (Barney, 1991, p. 204-205; Kogut & Zander, 2003, p. 516). Therefore, a cross-border M&A creates a linking point to the foreign market and opens an efficient channel for the exchange of information and knowledge for the EMNCs.

The importance of this perspective becomes even clearer when considering the special characteristics of many EMNCs. In emerging markets, the setup of a business group is the most common form in which companies are organized (Khanna & Palepu, 1997, p. 41; Khanna & Rivkin, 2001, p. 45). Despite their size, many of these business groups are still family-owned or have at least a central control position with the whole business group being highly hierarchical (Khanna & Palepu, 1997, p. 41). As mentioned earlier, these business groups are highly diversified (Khanna & Palepu, 1997, p. 41; Kumar, 2009, p. 116) and establish in this way a highly efficient organization regarding knowledge transfer – an impact which is expanded through a cross-border M&A. Furthermore, EMNCs are especially sensitive about acquiring knowledge because they consider a cross-border M&A into a developed market as an opportunity to learn from the acquired company to become more competitive in their domestic market (Kale et al., 2009, p. 110; Luo & Tung, 2007, p. 488).

The achievement of so-called reverse spillover-effects, which designates the learning of the parent company through knowledge transferred from the target (Chen et al., 2012, p. 204) supports EMNCs also in overcoming the institutional void in their domestic market (Khanna & Palepu, 1997, p. 41). Khanna & Palepu (1997) coined the term institutional void which refers to the insufficient support provided by institutions in emerging markets. To establish the argument, the authors relate to three markets, the product, labor, and capital market (Khanna & Palepu, 1997, p. 41-48; Gaur et al., 2014, p. 14). The weak infrastructure in these markets impose high transaction costs on companies when it comes to knowledge and information exchange (Gaur et al., 2014, p. 13-14; Williamson, 2010, p. 679) and complicates the access to financial and human resources (Khanna & Palepu, 2000, p. 62). Therefore, EMNCs overcome the challenges in their domestic market through the acquisition of the lacking resources abroad and the subsequent combination with the ones already possessed by the company (Chen et al., 2012, p. 204-205; Gaur et al., 2014, p. 14). Furthermore, an international presence enables EMNCs to build a strong
market for the entire business group, thus attracting attention also in their domestic market (Khanna & Palepu, 1997, p. 42; Khanna & Palepu, 2000, p. 67)

3.2.4. M&A process
The following section presents the acquisition process divided into its two main phases, pre- and post-acquisition. Within these phases, individual steps are outlined while emphasizing the specific characteristics of EMNCs in this process.

Pre-acquisition phase
The main factors companies evaluate when choosing a target is the strategic and organizational fit. The first refers to “the degree to which the target firm augments or complements the parent’s strategy and thus makes identifiable contributions to the financial and non-financial goals of the parent” (Jemison & Sitkin, 1986, p. 146). This part clearly indicates that M&A activity requires a benefit, which mostly includes a financial and non-financial part to render a M&A profitable (McGrath, 2011, p. 3; Madhok & Keyhani, 2012, p. 33). In case of an EMNC carrying out a cross-border acquisition, the EMNC applies a long-term perspective, which underlines the non-financial element of the synergies, especially in terms of knowledge, as it considered as a source for long-term value (Kumar, 2009, p. 116). This relates to the EMNC’s intention to collaborate with the target after the acquisition (Kale et al., 2009, p. 109). To complete the picture, companies evaluate the organizational fit, defined as “the match between administrative practices, cultural practices and personnel characteristics of the target and parent firms” (Jemison & Sitkin, 1986, p. 147). The latter, however, becomes less important when putting it into the perspective of future collaboration rather than integration (Kale et al., 2009, p. 110). In turn, this stresses the importance of the strategic fit and the overall value the target will add to the EMNC’s business operations (Kumar, 2009, p. 117). It is important to point out that, in this context, strategic fit doesn’t refer to how similar the assets are, but how they complement the existing resources (Luo & Tung, 2007, p. 489). This is in line with the EMNC’s aim to “share knowledge and best practices” (Kale et al., 2009, p. 110). If the acquirer estimates the target as fit after the due diligence process, i.e. the assessment of the strategic and organizational dimensions, the companies start the negotiations (Zhou et al., 2016, p. 1081).

In this phase, the two companies negotiate the terms of the agreement based on the due diligence (Zhou et al., 2016, p. 1088). The main point is setting the price which consists, simply put, of two elements, the target’s individual value plus a premium reflecting the present value of the identified synergies (Haspeslagh & Jemison, 1991, p. 139; Jemison & Sitkin, 1986, p. 159; Mellen & Evans, 2010, p. 79), or in the case of an EMNC being the acquirer the value it places on the complementary resources of the target (Jemison & Sitkin, 1986, p. 147; Kale et al., 2009, p. 11). The premium varies according to the buyer’s and seller’s evaluation and often turns out to be a sticking point as both parties try to achieve the best deal. (Mellen & Evans, 2010, p. 79-82). As mentioned before, M&As often don’t reach the promised objectives, which gives an additional incentive for both parties not to over- or underprice the deal as the premium also sets the expectations for the evaluation regarding failure or success of the deal (Mellen & Evans, 2010, p. 81-82).

---

2 Since our empirical study is set in the context of an acquisition, we mainly refer to acquisition, while most of the information is also valid for mergers.
Success and failure of cross-border deal completion

When we take a closer look at cross-border M&As, studies have examined factors influencing the likelihood of deal completion after the announcement of a cross-border M&A. Zhou et al. (2016), for example, investigate cross-border M&A deals involving emerging and developed market corporations. For a higher differentiation, they divided the deals into inbound M&As (MNCs from developed countries initiated the activity) and outbound M&As (EMNCs initiated the deal) (Zhou et al., 2016, p. 1079). Their results reveal that the factors facilitating or impeding a deal differ between these two categories. Previous learning stemming from formerly completed cross-border M&As, for example, have a higher positive relationship with inbound than with outbound M&A (Zhou et al., 2016, p. 1079). It is also especially interesting that the total distance between two markets displays a stronger negative effect on inbound than on outbound M&A (Zhou et al., 2016, p. 1079). These findings emphasize the results of the study conducted by Dikova et al. (2010), who investigated the likelihood of cross-border M&A deal completion in the business service industry. Their study shows that past experience with these kind of deals increases the success rate of deal completion in environments with a smaller administrative distance and shortens the time between announcement and deal closure in countries with higher administrative distance (Dikova et al., 2010, p. 240). A common point of these studies is the importance of the learning experience which leveraged the company’s capabilities and thus, improved its likelihood of future success when it comes to the completion of cross-border M&As (Dikova et al. 2010, p. 224; Zhou et al., 2016, p. 1082).

Post-acquisition phase

After the deal closure, the integration of the two businesses begins. This highly complex and sensible phase can be carried out with different approaches. Already in 1991, Haspeslagh & Jemison (1991) presented four types of integration approaches, which have remained relevant until today (Johnson et al., 2014, p. 337-340). The authors argue that the approach the acquirer should choose depends on two dimensions, the strategic interdependence between the two companies and the need for organizational autonomy of the target (Haspeslagh & Jemison, 1991, p. 139; Kale et al., 2009, p. 110; Kumar, 2009, p. 117).

Strategic interdependence relates to four potential sources of value creation, of which usually one source dominates the M&A deal (Haspeslagh & Jemison, 1991, p. 142; Kale et al., 2009, p. 111-112). These sources are: the sharing of resource on an operational level for gains in efficiency and eliminating redundancies, the transfer of functional skills which are bound to human resources, the transfer of general management capabilities through a high alignment of the target management’s team, and the creation of combination benefits by increasing market power or better access to financial funding (Haspeslagh & Jemison, 1991, p. 140-142; Puranam et al., 2006, p. 263).

Organizational autonomy addresses the tension between the need to integrate the target (at least partially) and the demand to preserve certain capabilities which are threatened to disappear once the target company’s boundaries are disrupted (Haspeslagh & Jemison, 1991, p. 142-143; Kale et al., 2009, p. 113; Puranam et al., 2006, p. 263). Both dimensions, strategic interdependence and organizational autonomy can either be high or
low, which results in the differentiation between four basic integration approaches\(^3\) illustrated in the figure below (Haspeslagh & Jemison, 1991, p. 145):

![Types of acquisition integration approaches](image)

**Figure 2: Types of acquisition integration approaches (Haspeslagh & Jemison, 1991, p. 145)**

A strong hands-off approach characterizes the preservation approach where the main advantages derive from the additional funding capacity, as well as improvements on both sides, i.e. on the side of the acquirer and the acquired company, such as improved risk-taking and management capabilities (Haspeslagh & Jemison, 1991, p. 148-149).

The symbiosis represents a complex approach as its high need for both, organizational autonomy and strategic interdependence, require a gradual and slow integration of the target (Haspeslagh & Jemison, 1991, p. 149). According to Haspeslagh & Jemison (1991, p. 149), a success of this approach is only possible if “each firm [...] take[s] on the original quality of the other”. The last approach is a total absorption of the target, where the acquirer consolidates the entire target organization in its business and eliminates overlapping part (Haspeslagh & Jemison, 1991, p. 147).

In their article *Don’t integrate your acquisition, partner with them*, Kale et al. (2009) build on Haspeslagh & Jemison’s (1991, p. 138-154) model and relate the basic integration strategies to the behavior of EMNCs and their cross-border M&A deals. As the title indicates, the authors investigate the specificities of EMNCs regarding their integration approach as they usually don’t integrate the targets, but follow a partnership approach which establishes a relationship which is based on collaborating (Kale et al., 2009, p. 110; Kumar, 2009, p. 116; Madhok & Keyhani, 2012, p. 34). Combining the two articles, we see that the partnership approach is a mix between the preservation and symbiosis approach described above: While the EMNC has a general hands-off approach to the integration and only conducts minor changes in the daily business decisions and in the structure of the company, it establishes channels through which information and knowledge is shared (Kale et al., 2009, p. 110). This incites learning on both sides and slowly, the EMNC and the target company assimilate their business practices by adopting the best-in-class solution (Kale et al., 2009, p. 109-111; Kumar, 2009, p. 119). Furthermore, some parts of the target’s operations are integrated into the group’s function, such as financial and the overall strategic planning, to ensure a coherence within the group (Kale et al., 2009, p. 113; Kumar, 2009, p. 116).

---

\(^3\) Haspeslagh & Jemison (1991, p. 146) don’t address the approach “holding” subsequently as most of the integration issues don’t apply to this approach
Organizational learning in the partnership approach

The above described integration approach applied by EMNCs shows that they direct their attention towards “creating an environment in which companies can easily share knowledge and best practices” (Kale et al., 2009, p. 110). Here, it is important to consider organizational learning, which is “the process of gaining new knowledge, so that the firm is constantly accumulating and assimilating knowledge and this becomes the basis for creating and improving organizational routines.” (Carayannis, 2008, p. 343). Within the field of organizational learning, we can further distinguish between two different types of learning, namely single-loop and double-loop learning (Argyris, 1990, p. 92-94; Argyris & Schön, 1996, p. 21-22). The first one deploys a goal-oriented approach, which means that the learning process starts with the definition of a specific goal to be achieved within a defined time horizon (Argyris, 1990, p. 92). In case the actions miss to reach the set goal, they are adapted without any significant long-term effect, but with an emphasis on efficiency (Argyris, 1990, p. 93; Argyris & Schön, 1996, p. 22).

Double-loop learning, on the other hand, refers to a process-oriented system with a long-term perspective aiming at changing deep rooted behaviors (Argyris, 1990, p. 94; Argyris & Schön, 1996, p. 22). Senge (2006, p. 284) presents in his work a deep learning cycle consisting of five elements: beliefs & assumptions, practices, skills and capabilities, relationships, awareness & sensibilities. All five elements influence each other and thus, learning needs to impact all of them for it to be sustainable (Senge, 2006, p. 285-286). Since double-loop learning addresses both, the invisible, such as values and norms, as well as the visible parts of a company, its actions and strategies, it is designed to incite overall commitment to the change by creating a new and truly shared vision by all involved actors (Senge, 2006, p. 289).

Following this line of thought, EMNCs engage in double-loop learning in the context of cross-border M&A into developed markets. This fits the prerequisites of the EMNCs’ specific integration approach and their observed behavior. According to Haspeslagh & Jemison (1991, p. 157) and Kale et al. (2009, p. 114), it is essential for the partnership approach to establish a common understanding of the parent’s values, which might be subject to change over time, influenced by the parent and the newly-acquired firm. This allows them to leverage their capabilities not only in the market of the target company, but also in their domestic market. Chen et al. (2012, p. 205), for example, showed in their study that EMNCs benefitted in their domestic market from superior technological resources and capabilities of their acquired target originated in a developed market. In addition, Kale (2009, p. 44) states in his article that the liberalization of emerging markets and the resulting increased competition from foreign firms required EMNCs to acquire lacking resources and capabilities regarding how to compete in this new environment – and cross-border M&As into developed markets allowed EMNCs to meet these needs. Another advantage of the learning perspective EMNCs apply is the creation of organizational resilience (Van Der Vegt et al., 2015, p. 972-973). In general, learning organizations show a high alertness and flexibility to changes in the environment (Madhok & Keyhani, 2012, p. 35). According to Crossan et al. (1999, p. 522), this relates to the enhanced ability for strategic renewal enabled by the acquisition of complementary resources.
**Challenges of the partnership approach**

As it is explained above, the partnership approach uses an incremental, selective and slow integration, which means that the realization of benefits also takes time (Kale et al., 2009, p. 115). While this generally suits the long-term perspective of EMNCs, it is a challenge to communicate to and prepare shareholders (Kale et al., 2009, p. 114). For business groups in emerging markets, the fact that the founding family often holds a majority stake in the company is thus a facilitator for this approach since these owners are known for their long-term strategic perspective as well (Kumar, 2009, p. 116). If this is not the case, however, managers are subject to the pressure of shareholders who expect short-term financial return (Van Der Byl & Slawinski, 2015, p. 55-56).

Another challenge of the partnership approach lies on a human level. Managers from both companies, but especially from the acquirer, must accept tensions and ambiguity as this special approach mixes cooperation, integration, and preservation of the target (Haspeslagh & Jemison, 1991, p. 148-149; Kale et al., 2009, p. 115). According to Kale et al. (2009, p. 115), a collaborative culture within the acquirer leverages the manager’s capabilities to successfully manage the partnership-like integration. This is due to the acceptance of cooperation, new ideas, and long-term value within this culture (Kumar, 2009, p. 116-117) which leverages the company’s capability to manage the necessary change (Grouard & Meston, 2005, p. 10-11). In turn, this means that a company with a hierarchical culture may be less equipped with the suitable capabilities (Kale et al., 2009, p. 115-116).

**3.2.5. M&A context and Corporate Sustainability**

*This section reviews literature and practical research regarding the financial and strategic impact of CS or of its elements in different phases of the M&A process.*

**Financial perspective**

Studies which investigate the role of CS, or elements (social, environmental, economic) of it, in M&A activities from a financial point of view revealed the following: In general, it exists a positive relationship between a firm’s engagement in CS, or parts of it, and the financial value generated during a M&A, especially in the long-term.

Deloitte (2009, p. 1), for example, found that the integration of social and environmental topics into a company’s strategy increases the deal value, i.e. the price the acquirer pays. This is linked to CS as lever for the deal success in the sense that the integration runs smoother and, thus, generates higher synergies (Deloitte, 2009, p. 1). Consequently, the acquisition is more likely to reach its objectives in terms of created economic / shareholder value (Deloitte, 2009, p. 1). According to Deloitte (2009, p. 4), this emphasizes the increasing importance of CS as strategic issue and valuable resource for a business and its shareholders. Aktas et al.’s (2011, p. 1752) research supports the above presented findings in terms of the value enhancing role of the social and environmental performance. Their study reveals that, if a company acquires a target which is socially and environmentally engaged, the acquirer’s related practices improve (Aktas et al., 2011, p. 1753). This underlines the resource-based perspective on CS as well as the assumption that the acquirer might learn from the target, which, in turn, improves the overall firm performance and its value (Aktas et al., 2011, p. 1760; Deloitte, 2009, p. 4).
The question whether CSR creates shareholder value in the integration period after a M&A, was explored by Deng et al. (2013). Their quantitative study found that firms with a high level of CSR realize higher returns after the announcement of a M&A (Deng et al., 2012, p. 89). Here, shareholders expect the socially conscious firm to be more likely to complete the deal and to seal it faster, which is due to a higher approval by the target’s stakeholders (Deng et al., 2013, p. 81, p. 89). The broader acceptance is based on the stakeholders’ expectations of the acquirer being less likely to breach agreements or existing social contracts (Deng et al., 2013, p. 89). Furthermore, their investigation points out that CSR also creates high long-term stock returns during the integration phase (Deng et al., 2013, p. 89). This finding is in line with the argumentation that CSR is valued over time and implemented with a long-term perspective (Deng et al., 2013, p. 88; Kumar, 2009, p. 116). Furthermore, the study adds insights on stakeholder wealth by showing that the value created for this groups increases, especially for suppliers, bondholders, and customers (Deng et al., 2013, p. 89). This broadened perspective underlines, that stakeholders play an important part in the context of a company’s engagement in topics beyond pure economic and financial value (Dyllick & Hockerts, 2002, p. 131).

**Strategic perspective**

When it comes to the topic of learning, Berchicci et al. (2012, p. 1056) showed that companies with high environmental capabilities are likely to acquire firms with lower ones and vice versa. Latter points to the existence of reverse spillover effects, i.e. that the new parent acquired a valuable resource, whose benefits are transferred to the parent organization (Berchicci et al., 2012, p. 1056; Chen et al., 2012, p. 204). This view supports the study results presented by Harper (2012, p. 118) in relation to the increased likelihood of high CSR firms to become a target for a M&A deal as the potential acquirer values the capabilities linked to the firm’s engagement in ancillary topics. On the contrary, in the context of the first case, a company, which has developed substantial capabilities to manage environmental topics, aims at making a good deal by acquiring a company with low capabilities in this field (Berchicci et al., 2012, p. 1056-1058). Here, the parent then subsequently transfers its capabilities to the newly acquired firm to increase its overall value. Interesting is also the role geographical distance plays. The findings reveal that the greater the physical distance, the less likely firms are select a target with differing environmental capabilities as a transfer of capabilities becomes more difficult (Berchicci et al., 2012, p. 1057). This is in line with the theoretical considerations linked to distance, which is proved to still play an important role in the expansion of firms (Ghemawat, 2001, p. 147). As described in section 2.2.2., however, EMNCs defy the argumentation that greater distance means incremental expansion into more similar business sectors (Khanna & Palepu, 2006, p. 65; Kumar, 2009, p. 116; Nayyar, 2008, p. 111).

Adding a strategic stakeholder perspective to the one regarding learning, Waddock & Graves (2006, p. 92-94) revealed that the acquiring firm shows improvements in employee diversity and environmental engagement when compared to the pre-acquisition entity. Furthermore, the acquirer displayed a significantly lower level of environmental capabilities than the target before the M&A. This further support the learning perspective in terms of reverse spillover effects. Despite this difference, the researchers did only find weak evidence that a firm with a low degree of engagement in all elements acquires a company with a high level to purposefully increase their capabilities (Waddock & Graves,
In addition, their study revealed that target firms displayed less problems in managing stakeholder concerns before the M&A than one to two years after the deal completion (Waddock & Graves, 2006, p. 105). This finding is confirmed by Syrjälä & Takala (2009, p. 277-278) who observe that during the integration period, a company’s CSR is likely to weaken due to a focus put on other issues. Therefore, it is important to manage CSR and environmentally-related matters actively and on a strategic level to benefit from their value-enhancing capability (Clark et al., 2014, p. 9-11; Syrjälä & Takala, 2009, p. 278). Investigating CSR in the context of EMNC’s internationalization through M&As is the subject of Hawn’s (2013) research. He related CSR to the concept of organizational legitimacy, which refers to the fact that a firm’s actions need to comply to societal values and beliefs in the respective environment (Dowling & Pfeffer, 1975, p. 122). In line with Ashforth & Gibbs (1990, p. 177) and Gardberg & Fombrun (2006, p. 331), Hawn (2013, p. 186-188) considers legitimacy as a firm’s resource which helps to overcome barriers in internationalization, thus enabling firms to compete in foreign markets. The findings of this study show that the social engagement in a company’s domestic market impact several success factors of M&As, such as the completion time and the overall performance (Hawn, 2013, p. 187).

3.3. Summary and selected theoretical tools

Material (CS) as a multidimensional concept relates and builds upon underlying social, environmental and economical dimensions, representing the context in which companies are embedded and which they influence. The review of the three dimensions shows that they have developed both separately and interrelatedly. The underlying rationale is the idea that companies should be responsible for their actions and accountable for how they support and contribute to the social, environmental and economic development. To enable a company’s flexibility and adaptability and consequently, to increase its success, CS needs to be approached from a strategic level. Its integration in the strategic management and company objectives ensures a coherent and long-term perspective on CS. From a stakeholder perspective, it ensures the integration of their various integration into the corporate strategy and thus, leads to a long-term support of latter. This is especially important in the light of the important role stakeholders, such as suppliers, employees, customers and regulatory authorities, play in the success of a company. Related to a company’s success, the review showed that CS as a resource leverages it by creating distinct capabilities. In addition, the literature review also indicates that the implementation of CS in practice is lagging as due to its complexity and the existence of numerous conceptions. When evaluating CS, this multi-conceptual setting needs to be accounted for. This challenge can be tackled by using the three constituent dimensions, scope, substitutability and goal-orientation, and evaluating their respective maturity level.

M&As

In general, we see that motives for M&A deals range from strategic, over financial to managerial. The first two categories, especially the strategic reasons, can all be linked to the resource-based view and underline once more the importance of this view. In terms of challenges, we see that companies may already struggle to define the dimensions for the measurement of the created value, one crucial point to evaluate success or failure of the deal. Thus, M&A deals are highly complex.
Nonetheless the literature review reveals that EMNCs, when expanding internationally, often choose to carry out a cross-border M&A. By pursuing this strategy, EMNCs take advantage of their resources, which are mainly of financial nature, to acquire complementary resources. This allows them to overcome the liabilities faced while internationalizing as well as the institutional void in their domestic market. In addition, knowledge and resource transfer from the target company and the pro-active engagement with important stakeholders leverage the EMNCs capability to succeed the post-M&A integration. Adding to this uniqueness, we show that EMNCs engage in a mutual learning process which is part of their special partnership approach with the acquired company. This gives the target a high level of independence while the overall strategy and related process are aligned with the parent. At the same time, a trustful environment is created which fosters the exchange of knowledge and best practices to support the organizational learning.

In this M&A context, CS assumes a value-enhancing role, especially when considering the long-term effects in the post-acquisition phase and beyond. This is mainly related to the comprehensive approach strategic CS demands from a company in terms of efficient resource management and effective stakeholder engagement. Yet, research related to the integration of a strategic CS in an international M&A context is missing and thus, constitutes the subject of our study.

Selected theoretical tools

![Diagram](attachment:figure3.png)

**Figure 3: Selected tools and steps for evaluation of strategic CS in the context of post-acquisition integration**

The figure above presents the process and the tools we selected to tackle our research question. The frame around it indicates the M&A (in our case the vertical acquisition) context. The starting point represents the CS anchored on a strategic level of both companies, target and acquirer. As it is displayed, strategic CS incorporates economic, environmental, and social considerations into business strategy. The three elements of CS (economic, environmental, and social) are interdependent and cannot be considered in a vacuum as the business environment influences them (Giddings et al., 2002, p. 188). The last point is illustrated through the dashed line around the three elements.
In the first step, the target’s and the acquirer’s strategic CS is seen through the lens of its constituent dimensions, scope, goal-orientation, and substitutability. Since the study is set in the context of a post-acquisition integration, this step is conducted at several points during the integration process to depict changes. In accordance with Lankoski (2016, p. 851), we define the constituent dimensions as follows. Scope refers to the issues that are included in CS, i.e. the breadth of CS applied within the company. Substitutability addresses the degree to which the elements of CS (economic, social, environmental) are considered by the company as substitutable with each other, i.e. to which extent economic capital can compensate for the usage of natural and social capital. The third dimensions, goal-orientation, captures the reference point used for the establishment of the CS-related goals, if the company sets relative or absolute goals (Lankoski, 2016, p. 851). In case of weak CS, we encounter a high level of substitutability, while strong CS advocates for a low degree of substitutability, which means that natural and social capital cannot be substituted with man-made, economic capital. (Lankoski, 2016, p. 851, p. 853).

In the second step, the target’s and the acquirer’s CS strategy is evaluated through its respective maturity levels throughout the integration period. In line with Baumgartner & Ebner (2010, p. 81), the classification of different categories within the three CS elements (economic, social, environmental) into four maturity levels, from beginning to sophisticated, allows to identify the CS strategy profile of the company.

The third and last step entails the assessment of the integration of strategic CS throughout the integration period. This is supported by the previous two steps which, once combined, reveal the influence of the companies on each other’s CS strategy. Furthermore, it indicates their development as well as potential learning effects and the assumed convergence of the strategic CS implemented across both companies.
4. Research methodology and methods

Throughout this chapter, we present the methodological considerations on which we build our study as well as the methods for conducting the study. Before outlining the philosophical stances, we reflect on our choice of literature. Afterwards, the research approach as well as the design and the strategy are explained with a special focus on case study research. As next step, we introduce the data collection and analysis technique before emphasizing the quality criteria and ethical considerations related to our research.

4.1. Reflection on selection of literature

According to Webster & Watson (2002, p. xii), “a review of prior, relevant literature is an essential feature of any academic project [...] as an effective review creates a firm foundation for advancing knowledge.”. Therefore, we proceeded carefully when searching and selecting literature for our theoretical framework. In addition, a carefully conducted literature review based on purposefully selected information represents the basis for the formulation of the research question (Sandberg, 2011, p. 24). To present interesting and important results, it is crucial to scrutinize literature and, based on this, to generate a research question (Sandberg, 2011, p. 25). As mentioned in the introductory chapter, our choice of topic is based on personal interests and recent debates. Nevertheless, the review of related literature allowed us to spot gaps (see section 1.4.) which we intend to fill by building upon theoretical considerations presented in and developed from existing research. Following this line of thought, the selection of literature is an essential part in conducting a relevant study and thus, needs to be done systematically and in a transparent way.

Through the library at Umeå University, we have access to a multitude of databases for scientific, peer-reviewed articles and various books, including e-books. Since both of our topics, CS and Mergers & Acquisitions, look back to a long history of research, we draw upon major traditional authors, their concepts and theories to lay the foundation for our study. Nonetheless, the specific research areas we chose related to both overarching topics, strategic CS and cross-border M&A by an EMNC, represent young fields of research. To reflect this in our theoretical considerations as well, we incorporate recent scientific and peer-reviewed articles which we combine with the theoretical points of departure and concepts. The scientific literature is further enriched by reports, real-life insights, and studies, which brings the theory closer to practice. This follows Hart’s (1998, p. 19) statement that literature should be systematically be selected to serve the purpose of the study in the best way possible.

As presented at the beginning of our theoretical chapter, we chose to apply a RBV and stakeholder perspective to our research. Therefore, certain research streams, especially in the field of CS, became irrelevant and are thus excluded from our literature search. This, for example, concerns the institutional view on CS or the market-based perspective advocated by Porter (1998, p. xv, 149-150). Nevertheless, we contrast these different angles and argue for our choice in a coherent. The underlying rationale is the purpose-oriented research we conduct and which is advocated by Hart (1998, p. 19): The contextuality as well as the importance of resources in our study represent the motivation and the drivers for the choice of our theoretical points of departure.
In general, we aimed at reviewing literature reflecting our study purpose. This means that we cover relevant CS and M&A literature with the most essential and current literature as well as articles dealing with CS and M&A in developed and emerging markets. With this, we combine different perspectives which all relate to our research question. Furthermore, the variety of chosen literature supported the problematization of the topic and allowed us to develop a theoretical framework covering all relevant aspects for the study. Consequently, the theories, and concepts used reflect the variety both topics, international cross-border M&As and strategic CS encompass and unify.

4.2. Philosophical perspectives

Ontology
According to Long et al. (2000, p. 190), ontology “refers to assumptions held about the nature of social reality”. As we aim to study the CS in the context of a post-business acquisition, we chose to adopt a constructivist view which relates to subjectivism (Saunders et al., 2012, p. 132). The constructivist stance assumes reality to be fluid, subjective and socially constructed, thus dependent on the actors that create reality (Bryman & Bell, 2011, p. 37; Saunders et al., 2012, p. 131-132). Since we argue that stakeholders and organizations, which we see as social constructs, play an important role in our research, we assume that there exist individual interpretations of situations, contexts, and events. This aligns with the different possible conceptions of CS (Lankoski, 2016, p. 849), its context-dependence (Hart & Dowell, 2011, p. 1466; Khanna & Palepu, 1997, p. 44-46) and with the specificities of the EMNC’s integration approach (Kumar, 2009, p. 115). The constructivist view enables us to incorporate various aspects of CS, the post-acquisition context, and interactions between stakeholders into our research.

Therefore, the objectivistic stance, which claims reality being objective and independent from social actions (Saunders et al., 2012, p. 131) doesn’t fit our study. This is further emphasized by our assumption that, in consequence to the acquisition, the case companies interact, exchange knowledge, improve capabilities, learn from each other and thus, develop their CS engagement. In consequence, reality changes through the actions carried out by the companies, which contradicts the objectivist point of view.

Epistemology
According to Long et al. (2000, p. 190), epistemology is “the basis of knowledge and in what manner knowledge can be transmitted to others”. Interpretivism often follows a subjective, constructivist, assumption about reality, and it sees knowledge as “dependent on individual experience” (Long et al., 2000, p. 190), thus, not possible to generalize, but needs to be interpreted in relation to its context (Saunders et al., 2012, p.132-134). As mentioned, we study CS as a diverse concept (Malik, 2015, p. 419) in a socially constructed context. Consequently, we follow an interpretivist stance. The social situations examined are complex and context-specific. This also aligns our methodological considerations with several assumptions taken in our research, among them organizational learning (Carayannis, 2008, p. 476). In addition, interpretivism considers interactions with other actors to incite adjustments of understandings and meanings (Saunders et al., 2012, p. 137). This further supports our choice as we propose that the conception of CS in the post-acquisition integration will converge between the two companies we study.
Following this line of argumentation, we consider neither direct realism nor critical realism to fit our research as the situations and constructs we chose to study exist because of human action and not independent from them as assumed by realism in general. Furthermore, direct realism assumes reality as relative stable with only a small ability to change (Saunders et al., 2012, p. 136). Since we, however, assume strategic CS to change throughout time, direct realism doesn’t suit our study. Despite critical realism seeing the world as constantly changing, it lacks the perspective of fundamental conceptions being adaptable, which is an important point of our study.

Another possible choice in the context of epistemology is positivism. This stance is linked to an objective perspective and thus fits best quantitative studies where data is considered as independent from its context and free from values or qualitative studies aiming at testing hypotheses too (Saunders et al., 2012, p. 134-135). Since our study, as described in section 4.4., is of exploratory nature, positivism doesn’t match our research aim.

Axiology
According to Carter & Little (2007, p. 1322-1323), values guide the researcher’s analysis of the collected data and the created knowledge. This corresponds to the stance of research being influenced or even bound to the researchers’ values. The other axiological stance is that research is free of values, which is mostly the case in quantitative studies, where data is seen as neutral. (Saunders et al., 2012, p. 139) As mentioned previously, however, we consider our study to be context-bound and subjective and thus, the assumption of the data being free from values doesn’t fit our research.

As Heron (1996, p. 286) claims the researcher’s values are part of the study, but need to be articulated beforehand to generate credible results. We are thus aware of the influence our values and preconceptions have on the research and outline them in the following to render our research transparent. Through previous work experience, both actors have had contact with either companies acquiring a target or becoming a target. Therefore, the experience with drastic and deep changes within the acquired firm have sparked our curiosity to examine a different approach, i.e. the softer approach deployed by EMNCs, as both authors have seen core competencies and resources being lost through a hard integration approach.

In addition, we both see CS as crucial for businesses to reduce their negative effects on societies and the environment as well as to prevent further degradations. Nonetheless, we are aware of the criticism and different conceptions and perceptions of this concept, which we also discuss in our theoretical framework to give a neutral perspective on this topic.

Regarding the choice of literature, we incorporated a variety of different streams and perspectives presented in the most cited and well-known articles. Furthermore, we aimed at including current research and insights to complement traditional points of view, thus also enriching our perspectives on CS and M&As.
4.3. Research approach

There are two main approaches within business research, namely induction and deduction (Ghauri & Grønhaug, 2010, p. 15; Saunders et al., 2012, p. 122). Ghauri & Grønhaug (2010, p. 16) define deduction as “the logical process of deriving a conclusion from a known premise or something known as true”, while they define induction as “the systematic process of establishing a general proposition on the basis of observation or particular facts”. In our research, we rely on induction, but draw upon theory to select tools, with which we will conduct our empirical research. This strategy is in line with the methodological considerations presented by Edmondson & McManus (2007, p. 1160) who link the maturity level of the research field to the respective research approach. In case of this study, we combine two nascent-intermediate research fields, strategic CS and cross-border M&A integration of EMNCs, both of which are based on rather mature topics, namely CS and Mergers & Acquisition.

Furthermore, our study is of qualitative nature. The qualitative data we collect represents the foundation upon which we build our analysis. In addition, we use quantitative elements, e.g. regarding level of CO2 emissions or else, but also interpret them through the qualitative lens. This matches the aim to track changes and to observe a longitudinal development and integration of CS after the business acquisition. By working with qualitative data, we reflect the nascent-intermediate state of our research field (Ghauri & Grønhaug, 2010, p. 105, Edmondson & McManus, 2007, p. 1159-1162) and align it with our philosophical considerations.

4.4. Research design and strategy

The research strategy aims to enable answering the research question and to fulfill the research purpose. The research strategy will therefore be chosen upon the purpose of the study as being exploratory, descriptive or explanatory in nature (Bryman & Bell, 2011, p. 20; Saunders et al., 2009, p. 138). An exploratory study tries to answer the how and why question by further understanding of the specific a problem or phenomenon, while a descriptive study describes and accurately depicts a process, event or problem, and builds upon a clear understanding of the problem. Finally, an explanatory study will explain a causal relationship between two or more variables by e.g. testing of hypothesis. (Saunders et al., 2009, p. 138-140)

We aim to perform an exploratory study by answering the research question on how strategic CS is integrated and thus, changes and develops within a post-acquisition setting. The reviewed literature serves as foundation which provides a theoretical point of departure. In addition to this theoretical part, context specific and in-depth data collection provides empirical input to enable us to answer the research question appropriately. An exploratory study is also well aligned with the objective of the study to better explore the constituent dimensions of CS in the post-acquisition setting as well as the importance of CS. With our study, we aim at providing an understanding of this phenomenon for further descriptive and explanatory research on the specific topic.

To answer the research question, the study needs a clear strategy. In the case of an exploratory research, the strategy could be based on action research, grounded theory, ethnography, or case studies (Saunders et al., 2009, p. 145; Yin, 1984, p. 13). Action
research describes and explains how something changes by observing an action at place. Grounded theory combines an inductive and deductive approach with the aim to build a theory based on a series of observations and predictions in an iterative process. Ethnographic studies are context-bound which include the researchers’ interpretation of a social phenomenon over an extensive period of time. An archival study either explores, describes or explains a phenomenon based on records and documents as its primary source of data. (Saunders et al., 2009, p. 144-150).

For our study, we chose a longitudinal case study which we argue enables us best to answer our research questions and fulfill our research purpose (see section 1.2.). According to Yin (1984, p. 13) a case study typically relates to the how and why research question, takes a contemporary focus and is characterized by the researchers limited control over the phenomenon to study (Yin, 1984, p. 17). All three of the mentioned criteria correspond to this study since it displays a question, takes a contemporary approach and excludes us as researchers from influencing the phenomenon being studied.

Case study
“*A case study is a methodology that is used to explore a single phenomenon (the case) in its natural setting using a variety of methods to obtain in-depth knowledge*”
(Collis & Hussey, 2014, p. 68)

A case study combines interviews, documents, reports, articles, secondary data and observations with the objective to provide multiple perspectives of an organization, situation, event or process at a specific point of time or over a period of time (Sachdeva, 2008, p. 176). It allows to study a phenomenon in its natural, real-life setting as well as to combine multiple sources in a mix of qualitative and quantitative data (Mariotto et al., 2014, p. 359; Sachdeva, 2008, p. 177). The analysis of a case study gives an understanding of a process. For our study, we chose a single longitudinal case study which includes “*an in-depth, longitudinal examination of an instance or event*” (Sachdeva, 2008, p. 176) and is a systematic study of an event, selected by an information-oriented sampling, rather than a random sampling. The reason is that an intentionally selected case, in contrast to average cases, is richer in information and represents the specific phenomenon of study (Mariotto et al., 2014, p. 361; Sachdeva, 2008, p. 177).

As a response to the general critique regarding a case study being less scientific and generalizable, Yin (1984, p. 21) suggests five crucial components in developing the study. These steps aim at guaranteeing a high accuracy in case study research, which is, contrary to generalizability, paramount in this context (Woodside, 2010, p. 397). Thus, Yin’s (1984, p. 21) elements are presented and applied to our case in the following. The research question should relate to a how and why question as mentioned earlier (Woodside, 2010, p. 3; Yin, 1984, p. 29), which is in accordance with our research question. The second component is to declare the study proposition, i.e. a possible answer to the research question, upon which the result will be evaluated. The toolbox which we presented in section 3.5. represents our proposition to approach the research question. We will apply this toolbox in the data analysis and thus, its suitability will be evaluated through the insights we are able to generate. The third component includes the definition of the case and the identification of the units to be analyzed (Yin, 1984, p. 31). In our case, the primary unit of analysis is the sample company’s CS strategies, defined by their
conception of CS and by the three constituent dimensions of scope, substitutability, and goal-orientation. Yin’s (1984, p. 31) fourth component addresses the importance of current research as driver for the extension of previous research (Yin, 1984, p. 31). In the context of our study, the theoretical framework positions our study in relation to existing research, on which our study is built and thus, relates clearly to previous research and aims to develop current knowledge through in-depth insights. Additionally, we collect data from different sources to allow for triangulation, which supports our findings and strengthens the insights. The fifth and last component relates to criteria for the interpretation of the findings (Sachdeva, 2008, p. 178). Yin (1984, p. 41) states that they should be designed as to enable a high degree of validity and reliability. In accordance with Guba (1981, p. 81), however, we apply criteria which are specifically adapted to subjectivist qualitative research. Therefore, in section 4.6., we refer to credibility, transferability, dependability, and confirmability as the factors against which the quality of our research is evaluated.

4.5. Data collection

For our study, we identified a particularly case rich of information related to the topic, and a longitudinal perspective to enable the collection of extended information. Furthermore, we combine different data types, i.e. documentary and primary, as well as qualitative and quantitative. Here, we emphasize that the documentary data represents the major part of the data we build our study on. This approach is in line with our chosen research design, the longitudinal case study, in which we follow the CS integration after the acquisition over a certain period of time. According to Golden (1992, p. 852-853), personal accounts of past actions might be distorted due to a person’s missing memory of its attempt to present past actions in a more positive light. Therefore, it is recommended to mainly rely on documentary and archival data when reviewing past events and to use interviews only as an additional source of information to avoid personal bias as best as possible (Golden, 1992, p. 852; Welch, 2000, p. 198-199).

Documents and other textual data

When collecting documents, reports and other related data, we mainly rely on online sources. We used published annual as well as dedicated sustainability reports from both companies, the target and the parent company. The Swedish company Domsjö Fabriker, which was acquired by the Indian business group Aditya Birla and integrated into their business unit AB Grasim, released their first sustainability report in 2011 covering the fiscal year of 2010/11. The following year, no sustainability report was released, but they resumed in 2013, so that we analyzed a total of five sustainability reports from Domsjö Fabriker covering the fiscal years of 2010, 2012, 2013, 2014 and 2015.

Regarding reports from AB Grasim, we relied on the annual reports covering the fiscal years from 2010, 2012 to 2015 since the company included its sustainability reporting in these ones. In the fiscal year of the acquisition, 2011, AB Grasim did not release an annual report. Furthermore, the company published its first sustainability report in 2016, which we used for the last year of our analysis. Thus, in total, we analyzed five reports from the Indian company. In addition to these reports, we worked with policies and certificates from Domsjö Fabriker, Aditya Birla and AB Grasim as additional information source to understand the background of changes and developments, at which the sustainability
reports pointed. Since Domsjö Fabriker and the AB group have dedicated websites regarding their sustainability activities and strategies, we accessed and analyzed this information as well. To a lesser extent, we added on information from third sources, such as journal articles with special focus on CS issues.

We collected and analyzed this information prior to the interviews because, through the interviews, we aimed to verify the collected information and vice versa as well as to close potential knowledge gaps. As mentioned earlier, this documentary data constitutes the main input of our study with the interviews providing add-on insights.

**Interviews**

To complement the documentary data, we use semi-structured interviews (Ghauri & Grønhaug, 2010, p. 107) as we believe that this is the most effective way to include the different perspectives of stakeholders and to create a holistic view regarding the different perspectives and the setting of our study. The interviews are built upon the information gathered from the documentary data research as well as on our literature review. The semi-structured design gives us the possibility to gather more information from the respondents than with a structured interview and allows for a certain flexibility and adaptability to the specific knowledge and insights an interviewee might provide us with (Denscombe, 2007, p. 176). The interview guide is essential when preparing for an interview (Denscombe, 2007, p. 188). In our case, we construct it based on the information we want to gather in addition to the documentary data as the interviews allow us to dig deeper into the topic as well as to present different perspectives, which is important in an interpretivistic research (Edmondson & McManus, 2007, p.1165).

We divide the interview guide (see appendix 5) into five categories. The first one consists of the introduction part, where we inform the participant about our study and ask for his consent before proceeding. Afterwards, we shortly ask general questions about the background of the person related to his / her role and position in the company and previous work experience as this may influence the person’s perception of CS and the changes since the business acquisition. The third category includes questions to capture the status quo of CS and the interviewee’s conception and perception of it before relating CS to the post-acquisition context and identify any changes. Here, we mainly focus on capturing the integration of CS, its development and the mutual relationships between target and parent company. In the end, we wrap-up the interview by answering possible question of the participant and explaining the following procedure regarding his / her approval of the coded information used in the thesis. Despite our interview guide including a rather large amount of questions, we will not use them to this extensiveness, but it will serve us to guide the interviews appropriately. Our aim, however, is to ask open-ended questions and let the interviewee talk about his / her experience and perspective. Furthermore, we adapted the questions to the respective position the interviewee holds at the company and shifted focus in our approach accordingly.

**Interview selection criteria and participants**

Since the interviews are conducted with the aim to add in-depth understanding and further knowledge to the documentary and textual data, the criteria for the selection of the interviewees were thoroughly considered. Firstly, the interviewees were selected based on their positions. Since CS encompasses the entire organization, our interviewees are
supposed to reflect this by holding different management functions in different areas. Secondly, the interviewees should hold a high potential to deliver insights within the strategic CS at Domsjö Fabriker, but also on a group level of AB Grasim. This was reached by selecting people with a direct impact on decision making and long-term strategy development. Thirdly, we aimed at interviewing employees that were employed at Domsjö Fabriker both before and after the acquisition as to add diverse perspectives on the integration process and to capture opinions of people with a different background.

In total, we conducted five interviews with people holding different managerial positions at Domsjö Fabriker directly influencing the CS. The positions covered all relevant aspects we wanted to explore in relation to CS, including the production manager, the HR manager, the HSEQ manager, the technical director as well as the CEO. The interviewees were two females and three males. Two of the participants were employed only after the acquisition. One only works at Domsjö Fabriker for about one year, so during this interview, we focused on the status quo of sustainability, or the dimension which concerned this person’s work. The other person was hired shortly after the acquisition, so this interviewee could give us information about how CS changed since the acquisition, but was not able to refer to developments previously to the change in ownership. The three remaining interviewees all have been with the company for a longer period of time and developed internally which allowed us to assimilate their development with the evolution of CS since relationships could be drawn between these two aspects.

Unfortunately, we were not able to interview any representative of the Indian parent company. Nonetheless, the interviews allowed us to gather information about both companies since the Swedish managers were working within the AB Group management team on a regular basis and could provide us with insights into this business organization as well.

As mentioned earlier, anonymity is a key concern when conducting interviews. Since we acknowledge this, we attributed a number from 1 to 5 to every interview participant, of which we keep record. Therefore, we, as researchers, can to match the code with the respective interviewee while securing adhering to the confidentiality and anonymity standards of academic research. We chose not to indicate the role of the person when referencing because we already reveal the names of the companies we study.

**Interview settings**

As mentioned above, we interviewed five people with different business backgrounds all currently working at Domsjö Fabriker. To guarantee the anonymity of our participants, we decided to attribute a number to every person. Every interview lasted between 40 and 60 minutes with different focus and different atmospheres. Therefore, we adapted our interview style accordingly. The second and third interviewees were familiar to the topic and their answers to our questions were extensive and covered the relevant aspects without much guidance from our part. The first and fourth interview required more guidance from our part and, thus we asked more specific and detailed questions since these interviewees were less familiar with the term of sustainability and less concerned in their daily work. The fifth and last interview was a combination between the two interview styles with more guidance than the second and fourth, but less than the first and third.
4.6. Data analysis

Since the analysis and interpretation of the collected data is of utter importance, we chose to apply the coding system developed by Strauss (1987, p. 27-33). Even though this system is presented in the relation to a Grounded Theory approach, it can also be used for other qualitative, thematic research, which is the case in our study (Boyatzis, 1998, p. 10-11). In general, this coding system includes three types of coding, namely open, axial and selective coding. Open coding is the initial step and consists of defining coding categories and group the content of the text into units of analysis. After an initial grouping of the content, relationships and connections between the different categories and / or sub-categories are drawn through axial coding. In the last step, the selective coding, only relevant elements are kept and related to each other as to jointly answer the research questions. (Strauss, 1987, p. 27-33)

During this process, it is especially important to take the quality criteria as well as the ethical implications into account, because the second and third step of coding rely increasingly on our judgement. This means that they become subjective, which needs to be kept at a minimum level to generate quality results (Guba, 1981, p. 87-88). Furthermore, the coding plays a central role in the triangulation process as the categories and the relationships bind the different sources and information together in a logical way (Denscombe, 2007, p. 45). When it comes to the presentation of the case study and its results, it is important to present the data in an understandable way and underline key information, important phases, differences noticed, and key indicators (Sachdeva, 2008, p. 177-178). In our case, we grouped the coded information into categories and presented the content in a comprehensive table. The categories fit our research purpose and reflected the assumptions we combined in our toolbox. Therefore, we used the following codes.

<table>
<thead>
<tr>
<th>Table 2: Coding categories</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> Goal-orientation</td>
</tr>
<tr>
<td>a Social Absolute, Relative</td>
</tr>
<tr>
<td>b Environmental Absolute, Relative</td>
</tr>
<tr>
<td>c Economic Absolute, Relative</td>
</tr>
<tr>
<td><strong>2</strong> Substitutability</td>
</tr>
<tr>
<td>Weak, Strong</td>
</tr>
<tr>
<td><strong>3</strong> Scope</td>
</tr>
<tr>
<td>a Social</td>
</tr>
<tr>
<td>For example: job creation, workplace safety, education, sponsorship / funding, attractive employer (benefits, conditions, etc.), stakeholders, local community, health, staff welfare, gender equality &amp; diversity, awards, certificates, compliance</td>
</tr>
<tr>
<td>b Environmental</td>
</tr>
<tr>
<td>For example: energy, waste, emissions, chemicals, raw material (about), raw material (facts), transportation, production, R&amp;D, products, recycling / circular economy / product life cycle, environmental management tools, compliance, certificates, soil pollution, use of resources, animals, global challenge, award, value chain</td>
</tr>
<tr>
<td>c Economic</td>
</tr>
<tr>
<td>d Sustainability report content &amp; focus</td>
</tr>
<tr>
<td>For example: GRI, other reporting guidelines, materiality assessment</td>
</tr>
<tr>
<td><strong>4</strong> sustainability strategy</td>
</tr>
<tr>
<td>For example: decision-making, tools, processes, organization, governance, sustainability investments/projects, learning, value chain, leadership, values</td>
</tr>
</tbody>
</table>
In general, our analysis of the longitudinal data focuses on tracking changes and influences of the integration process during the years of study (2010 - 2016). Essentially, the analyses are structured around the coding categories (see table 3). The documentary data (see appendix 2 for example of coded documents) served as foundation and point of departure and was further developed by the in-depth data collection through interviews. After coding the textual data and related documents (see table 3), we organized the information in a data table according to the respective categories and divided by fiscal year and company. This allowed to follow developments over time as well as to compare Domjsö Fabriker and AB Grasim in the various categories. The latter enabled the identification of mutual influences and potential learning relationships. Before analyzing the collected data, it is necessary to transcribe the interviews (Saunders et al., 2009, p. 485). Departing from this, the interview information was coded and analyzed in the same way and thus, complemented our previous analysis. While analyzing both the textual data and the information received during the interviews in a unified way, we interpreted the findings in the light of the post-acquisition context and included the RBV as well as a stakeholder perspective as foundation for our work. This approach allowed us to identify developments in the foundation and strategic reason of CS, its conceptions and overall CS strategy in the context of the post-acquisition integration.

4.7. Quality criteria
In general, the quality criteria applied in qualitative research differ from those in quantitative research. This is mainly due to the lack of strict rules when it comes to the data collection, analysis and interpretation. Therefore, the following categories, credibility, transferability, dependability, and confirmability, reflect on criteria that are of special importance to qualitative research. (Guba, 1981, p. 81; Guba & Lincoln, 1982, p. 426; Rasmussen et al., 2006, p. 116-118)

Credibility
According to Guba (1981, p. 81-82; 1982, p. 426), credibility is a major concern for qualitative social science research. Thus, it is important to render the process as transparent and open as possible (Rasmussen et al., 2006, p. 117) so that the reader and the person from which the data was acquired can follow decisions and research steps (Guba & Lincoln, 1982, p. 426). To ensure this, we present our data collection and research strategy in this part as well as provide the interviewees with the information we intend to use before publication. Furthermore, as suggested by Denscombe (2007, p. 45), we apply triangulation techniques through the combination of different data sources to enhance the credibility of our research.

Transferability
In a case research, especially in a study like ours, the context and thus the interpretation of the data within this context is the main emphasis (Lukka & Kasanen, 1995, p. 74-75). Therefore, we don’t aim for generalizable results, but consider the transferability aspect, which is in line with Guba & Lincoln’s (1982, p. 426-427) criteria for qualitative research. According to Sachdeva (2008, p. 179), a case study should not be evaluated by its generalizability as it is not the aim of the study. She exemplifies the general critique of

---

4 Full data analysis table is available upon request.
insufficient generalizability as “criticizing a washing machine for not being able to tell what time it is” (Sachdeva, 2008, p. 179). The lack of generalizability should, however, be compensated for by a prolonged data gathering on site, to provide accurate and necessary information from which the researches draw interpretations and conclusions. In line with Guba’s (1981, p. 86) suggestions, we increase the transferability of our results by applying the following measures. Firstly, we use different sources of data and multiple interviews and describe how we gather the data and apply triangulation for our results. Furthermore, we provide background data on the chosen companies and selection criteria of our interviewees.

**Dependability**
In the context of a qualitative research, dependability refers to the stability of collected data (Guba, 1981, p. 86). While in quantitative studies, researchers talk about reliability of data (Easterby-Smith et al., 2008, p. 109), an interpretivistic qualitative research is hardly “repeatable under the same circumstances in another place” (Guba & Lincoln, 1982, p. 246). Therefore, we take potential instabilities into account and use triangulation to verify the dependability of our data sources.

**Confirmability**
When it comes to the confirmability of data, Guba (1981, p. 87) suggests to a) use triangulation b) inform the reader about the underlying philosophical perspectives of the researchers. As mentioned before, we will apply triangulation in our research and present our epistemological, ontological and axiological viewpoints to the reader. In consequence, we create confirmable results and account for the subjectivity of our research.

### 4.8. Research ethics
It is of high importance to act ethically throughout the data collection, the analysis and interpretation of data as well as during the presentation of the results (Denscombe, 2007, p. 141). Accordingly, the research ethics have been guiding our work through our research process and entire thesis work. When it comes to the gathering of data through interviews, we ensure that the interviewees participate voluntarily and ask for their consent regarding the answering of our questions, the recording of the talks and the usage of the codified information (Saunders et al., 2009, p. 188). Furthermore, when contacting the company, we informed about our study, something we deepen prior to the interview (Denscombe, 2007, p. 142). After having performed the interviews, we once again asked the participants to confirm our interpretations of the transcribed material, as well as its use in the thesis.

Linked to the usage of the information provided, it is paramount to ensure the participants’ anonymity by coding the data appropriately (Denscombe, 2007, p. 143). Therefore, each of the interviews will be transcribed, and a copy of this will be given to the participants for approval before continuing with the analysis. To guarantee confidentiality, the recordings are only used for our research and stored separately from the participant’s personal information. Since we conduct this study within an existing research project and other researchers might want to make use of the data collected by us, study participants will be informed and asked for their consent before transferring any data.
While interviewing, we don’t subject the interviewees to stress, discomfort, or embarrassment, which supports the quality of our research. Since the major part of our data collection consists of documentary data, we also need to consider ethical considerations related to the use of information collected online, which build upon the above-presented elements (Denscombe, 2007, p. 148). As Bruckmann (2002) points out, information available online can be fused without restrictions if the following criteria are met: a) official, public source where no password is required for access, b) no privacy policy of the website demands not to use it and c) the issue is not a very sensitive one. As we gather the documents, reports and articles through publicly available company reports, published journal articles about the companies and their CS, company websites and other open sources, we comply to Bruckmann’s (2002) criteria and thus, can utilize this data freely in our data analysis. However, we don’t reveal any names or other identification criteria, but also apply a codification system.
5. Findings

In this chapter, we present the findings of our empirical research consisting of documentary as well as interview data. It is divided into four parts in accordance with our coding technique. At first, we present the development of the companies’ scope of CS before showing their evolution regarding substitutability and after that their CS goal-orientation. Finally, we highlight the strategic perspective of CS.

5.1. Scope

In this section, we present the findings according to the scope of the CS activities of both companies, AB Grasim and Domsjö Fabriker (see appendix 6 for summary table). Following the line of thought of our theoretical chapter, the following parts are also divided into the social, environmental, and economic dimension of CS.

5.1.1. Aditya Birla Grasim

Social

At Aditya Birla (AB) group, the social activities are divided into two parts, the external and internal. Both follow the trusteeship perspective which states that "the wealth that one generates and holds, is to be held as in a trust for our multiple stakeholders." (Aditya Birla, 2017a). This management concept was introduced in the 1940’s by Shri Birla and thus, the social engagement in India is deeply rooted within the company. Regarding the external social activities, the foundation of the Aditya Birla Centre for Community Initiatives and Rural Development over 50 years ago reflects the importance of this work within the group (Aditya Birla, 2017a). This body, which is presided by a Board member, gives the strategic direction for the external CSR activities carried out in rural India within five areas, namely education, health care and family, social causes, infrastructure development and sustainable livelihood (Grasim Industries Limited, 2011). In education, the emphasis is put on teaching and empowering female inhabitants of rural villages. As far as health care is concerned, the company organizes, for example, medical camps and vaccination days. The social causes cover, for example, insurance payments and team sports. The infrastructure development aims at developing the villages sustainably so that they can sustain themselves in terms of financial income and for the further social development. The last area, sustainable livelihood, is closely linked to this as it includes, for example, support for the creation of small businesses and other possibilities to generate a long-term income. (Aditya Birla, 2017a)

The CSR center follows its own vision which is "to actively contribute to the social and economic development of the communities in which we operate. In doing so, build a better, sustainable way of life for the weaker sections of society and raise the country's human development index." (Aditya Birla, 2017a). When taking a closer look at this vision, which is implemented across the entire group, it becomes clear that all the above-mentioned activities are aligned with the strategic direction of this social engagement. The vision states that AB’s actions aim at increasing India’s Human Development Index (HDI), which is an indicator developed by the United Nations and is calculated taking the three “key dimensions of human development [into account] a long and healthy life, being knowledgeable and have a decent standard of living” (United Nations Development Program, 2017). Connecting the dimensions of the HDI to AB’s social activities, we see
a clear connection between their focus areas and the HDI key dimensions as indicated in the table below. This indicates a stringency between their strategy and the actions and thus, implies that the CSR vision is well anchored within the business organization.

Table 3: Comparison between UN HDI dimensions and AB’s social activity areas

<table>
<thead>
<tr>
<th>UN dimension</th>
<th>Long and healthy life</th>
<th>Education</th>
<th>Living standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>UN indicator</td>
<td>Life expectancy at birth</td>
<td>Schooling in number of years</td>
<td>Income / composition of resources in GNI per capita</td>
</tr>
<tr>
<td>AB focus area</td>
<td>Health care and family; Social causes</td>
<td>Education</td>
<td>Sustainable livelihood; Infrastructure Development</td>
</tr>
</tbody>
</table>

The external activities, especially the education, are linked to the internal in the sense that they leverage the company’s pool of potential talent they need for future growth and expansion. Therefore, one of the core elements of AB Grasim’s internal social activities is to “attract, train, motivate, retain and empower the best professional talent” (Grasim Industries Limited, 2011, p. 19). When it comes to diversity and equality, the Indian company states it has a diverse workforce due to its international expansion. The issue of gender equality, however, is not addressed until 2014/15 and no numbers are given upon which a comparison could be based. In the light of their external social work on empowering and educating women, this seems to be incoherent since the internal activities display a lower ambition than their external ones.

Regarding internal education and training, AB Grasim displays a strong profile with its own university Gyanodaya, which is Hindi for “enlightenment”. Other talent and career development programs that have expanded over the years, support the internal training activities. Even though the report states that the whole staff has access to training, the career development opportunities differ strongly between the shop-floor and management level. In several interviews, this finding was confirmed as interviewees indicated that the staff at their parent company is clearly divided into blue- and white-collar workers (Interview with person 1 and person 2). This translates into goals and benefits as well as career and talent development of the employees. The strong hierarchy in India is thus clearly visible in this area. Having said that, the reports from 2012/13 on emphasize the importance of feedback and communication across the group and the entire organization. In addition, AB Grasim has implemented measures to increase workplace safety starting in 2013/14, which matches the information we received during the interviews regarding the implementation of a new IT tool tracking accidents and other safety-related incidents around the same time (Interview with person 2).

The relevance the company puts on stakeholder engagement becomes visible in the creation of a stakeholder relationship committee in 2012/13, which is part of the Board of Directors (Grasim Industries Limited, 2013, p. 26). This is in line with the trusteeship concept of management the AB group pursues (Aditya Birla, 2017a), which also cascades down to AB Grasim’s governance philosophy of generating long-term value for all stakeholders (Grasim Industries Limited, 2011, p. 21).

Since 2013, Indian companies listed on the stock exchange are required to include a business responsibility report in their annual report (Grasim Industries Limited, 2013, p.
This enhances transparency, as it touches upon the social dimension of CS, especially in relation to the reporting of the CSR spending. According to Indian legislation, this spending category needs to amount to 2% of the average profit after tax of the last three years (Grasim Industries Limited 2013, p. 57). On this basis, the following comparison can be drawn:

<table>
<thead>
<tr>
<th>FY</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total spending (million ₹)</td>
<td>253</td>
<td>127.3</td>
<td>167.1</td>
</tr>
<tr>
<td>Spending as % of the avg. net profit (3 years)</td>
<td>2.13%</td>
<td>1.07%</td>
<td>1.69%</td>
</tr>
<tr>
<td>People reached by AB Grasim⁵</td>
<td>N.A.</td>
<td>449,575</td>
<td>325,559</td>
</tr>
</tbody>
</table>

The comparison shows that AB Grasim’s spending on CSR have decreased by approx. 34% within 3 years. Furthermore, it doesn’t reach the required amount of 2% of the 3-year-average of the net profit, both in 2013/14 and 2014/15. In addition to this, the number of people which the company covered with their initiatives decreased by nearly 30% as well. In the report of 2014/15, the company explains that the spending didn’t meet the required target due to a delay in a project start. This, however, shows that the company’s activities are not solely carried out on a voluntary basis, but are required by law.

In general, the nature of the activities in the social dimension of CS at AB group and AB Grasim have not changed since 2010, but follow the strategic direction given by the central coordination body, the Aditya Birla Centre for Community Initiatives and Rural Development, which also remains true to its vision over the analyzed years.

**Environmental**

As far as the environmental footprint is concerned, AB Grasim displays a lower profile than in the social dimension.

Since 2013/14, a strong focus lies on water management (Grasim Industries Limited, 2014 p. 43) which is due to the general water scarcity in India. The pulp and fiber mill are thus constantly threatened by a potential shutdown in consequence to the lack of water, which, according to an interviewee, occurred more than once in the past six years (Interview with person 5). Therefore, several initiatives have been taken to reduce the consumption of water, such as water recycling and the development of a fabric whose production is more water-friendly (Birla Cellulose, 2016, p. 5).

In terms of the general usage of resources and the reduction of greenhouse gas emissions, the group makes efforts to reduce its dependence on fossil fuels by using renewable resources for energy generation. According to the first sustainability report of Birla Cellulose published in 2016, the pulp mills generate approximately 89% of their energy out of green resources (Birla Cellulose, 2016, p. 6). Since the main raw material of the pulp and fiber business is wood, it is surprising that only in 2015/16, sustainable forestry was addressed. The sustainability report states that there are differences between the pulp

---

⁵ In the FY 2015 / 2016, the unit’s first sustainability report was published which covers more entities than just Grams Industries Limited in consequence to internal reorganization. This doesn’t allow us to draw any comparison for this year.

⁶ Includes double-counts.
and fibre mills in Canada and Sweden and those in India. In the former, an active forest management system is integrated and used, while in latter, such initiatives have just been implemented. (Birla Cellulose, 2016, p. 20). At Birla Cellulose, 38% of the wood used as input material for production is certified and thus, can be traced back to its source and stems from responsible farming.

To complete the life cycle, waste management and recycling represents another area of action. Here, little to none progress is made over the years as the percentage of waste recycled remained stable at 10% since 2012/13 (Grasim Industries Limited, 2013, 2014). When it comes to logistics and transportation, the Indian company started to implement a sustainable logistics program in 2015 together with supplier code of conducts to reduce emissions and the usage of resources along the entire value chain (Birla Cellulose, 2016, p. 14).

Taking a closer look at the innovation side, AB Grasim and Birla Cellulose have constantly re-enforced their efforts towards sustainable, especially environmentally-friendly, projects. This is mainly done through the Grasim Forest Research Institute situated at one of the Indian plants. In 2015, this R&D facility has been expanded and aims at improving productivity and profitability by supporting sustainable research (Birla Cellulose, 2016, p. 14). In contrary to this, the company had only limited regard for the assessment of the environmental impact of products throughout their life cycle. The latter changed in 2015 with the introduction of the Higg index, an online life cycle and value chain assessment tool for the fashion and retail sector (Sustainable Apparel Coalition, 2017). As one interviewee mentioned, the calculated score is difficult to apply to production facilities in different countries and with different production technologies due to its standardization (Interview with person 2).

**Economic**

The economic dimension plays a central role in the sustainability engagement of the company. The analysis of the documents as well as the information we received during the interviews show that this part is the foundation and often the motivation to engage in environmental and social causes.

In 2010/11, the company states in their report that the price increase in the raw materials is one of the biggest business risks as it would severely influence AB Grasim’s profitability (Grasim Industries Limited, 2011, p. 19-20). Thus, sustainability is a strategy to cope with this risk and create resilient operations which will sustain in the future. This translates, for example, in energy and resource saving programs whose outcome, the consumption of less resources, leads to two positive results: Firstly, profitability increases by lowering input costs and secondly, the sustainability profile of the company is strengthened. This risk becomes increasingly important in the reports over the years and results in the strive for an efficient use of the resources and the replacement of scarce resources by renewable ones, such as the building of captive power plants to replace fossil fuels in the energy generation (Grasim Industries Limited, 2013, p. 4). Furthermore, the company’s backward integration secures them access to resources and control over the value chain to counteract any potential bottlenecks in the supply chain.
Since the entire AB group, is constantly expanding its business units, two economic reasons can be linked to its strong engagement in various social activities. Firstly, the need to hire and retain employees explains the company’s attitude towards the importance of their employees and their ethical behavior to create loyalty (Grasim Industries Limited, 2011, p. 4-5). In terms of employee attraction, the visibility as well as the good reputation the company creates through their social activities increases its potential to satisfy their needs in recruitment (Birla Cellulose, 2016, p. 4, p. 7). This is crucial for organic, but also inorganic growth as a good reputation and good approach facilitates M&A activities, especially the integration of the target company (Hart, 1995, p. 999; Kumar, 2009, p. 116-117).

The table below shows the development in number of employees, AB Grasim’s turnover growth as well as the development of the productivity measured in turnover per employee. We can see that the productivity in 2014/15 and 2015/16 increased sharply, while it decreased in 2012/13. Overall, however, the productivity reaches a CAGR of 6.0% from 2010/11 until 2015/16, which shows the effects of the actions undertaken in terms of increased productivity.

Table 5: Employee growth and productivity (Grasim Industries Limited, 2016, p. 20)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No. employees</td>
<td>6,568</td>
<td>6,618</td>
<td>7,301</td>
<td>7,446</td>
<td>7,381</td>
<td>8,891</td>
</tr>
<tr>
<td>Turnover (₹ bn)</td>
<td>46.46</td>
<td>49.73</td>
<td>52.55</td>
<td>56.04</td>
<td>63.33</td>
<td>89.80</td>
</tr>
<tr>
<td>YoY growth productivity</td>
<td>6.2%</td>
<td>-4.2%</td>
<td>4.6%</td>
<td>14.0%</td>
<td>16.8%</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

Scope of the report
Finally, we want to address a more technical category, i.e. one that relates to the presentation of the report and its scope. At AB Grasim and Birla Cellulose, the quality and content of the reporting regarding sustainability developed substantially. In 2016, the company published its first sustainability report based on the GRI G4 guidelines. The Global Reporting Initiative (GRI) has developed these reporting standards to enhance transparency and communication with stakeholders on all aspects of CS (GRI, 2017).

When looking at the mere size, the amount of sustainability-related information has increased from a total of 5 pages from 2010/11 until 2014/15 to 44 pages in 2015/16. Furthermore, the company has added for the first time quantitative aspects and key indicators which will facilitate the tracking of improvements. Before this report, no quantifiable objectives were included, which made it hard to identify changes and evaluate progress in the various fields.

5.1.2. Domsjö Fabriker
Social
At Domsjö Fabriker, the social activities are also divided into an external and internal social engagement. One main feature of their external measures is linked to the fact that the company is a major employer in the region. In 2012/13, a study shows that for every job created at Domsjö Fabriker, there are 3 more jobs created at local subcontractors,
suppliers, or other partners (Domsjö Fabriker, 2013, p. 2). Thus, the company is closely related to the local community around its plant and aims at developing its local talent pool by collaborating with universities and schools. Two interviewees emphasized the increasing importance of this engagement regarding the high number of workers retiring in the years to come (Interview with person 1 and person 5). In 2013/14, this issue is also part of the sustainability report and the company explains the necessity to be an attractive employer to attract and retain young talent (Domsjö Fabriker, 2014, p. 5). This area has become the focus of Domsjö Fabriker’s external social activities. According to some of our interviewees, these strategies pay off in terms of a good reputation among potential workers in the region which is reflected by highly qualified applicants for the jobs available at Domsjö Fabriker (Interview with person 1 and person 5).

Contrary to its parent company, Domsjö Fabriker directs most of its social activities towards its employees. One outspoken goal since 2010 is to increase the diversity in the workforce. Here, the focus lies on employing more women on both, the shop-floor and management level. Overall, the percentage of female staff increased from 14% in 2010 to 19% in 2016 (Domsjö Fabriker, 2011, p. 25; Domsjö Fabriker 2016, p. 17). According to information received during an interview, 20% of the management staff in 2016 is female, which is a good ratio, especially when compared to other mills in the region (Interview with person 1). Therefore, we can see that Domsjö Fabriker’s activities to promote the work to women, has been successful. However, the company doesn’t deploy a special career development program for women, but relies on the annual review interviews and the individual needs and wishes communicated by every employee.

When it comes to workplace safety, the company has always tracked accidents and has tried to eliminate potential sources of danger. Nonetheless, there was an all-time high in work-related accidents in 2014/15, with two severely injured workers. This led to the launch of a safety initiative across all employee levels. (Domsjö Fabriker, 2015, p. 2). As interviewees stated, safety is the top priority at the company. According to internal instructions, it is more important to ensure safe handling and working procedures than pushing productivity. These instructions and the identification of areas to be acted upon were elaborated in several workshops with the entire staff so that everyone could contribute to this program. Today, the various initiatives are implemented and the program’s progress is tracked through monitoring systems and workshops. (Interview with person 1, person 3 and person 5)

As far as personal development is concerned, Domsjö Fabriker puts an increasing emphasis on the learning and continuous development of its employees. As the interviewees explained, the e-learning courses offered through the inhouse university Gyanodaya have become part of Domsjö Fabriker as well. Furthermore, the Swedish company has started a collaboration with an external training provider to better cater to the needs of its employees (Interview with person 1 and person 5), also regarding the growing number of new hires given that today, 42% of Domsjö Fabriker’s employees are older than 50 years (Domsjö Fabriker, 2016, p. 5).
Environmental
Domsjö Fabriker displays extensive environmental activities with a focus on air and water. These areas have always been emphasized, but the activities in latter, i.e. water, have been strengthened since 2010 due to legionella bacteria emitting from the water effluent treatment (Domsjö Fabriker, 2011, p. 3). Thus, the subsequent investments and improvements in the water treatment were triggered by the legionella problem. Regarding the reduction of air pollution, the company continuously invests in new technologies and machines. This also supports its strive for an efficient use of resources as well as the use of renewable resources.

This is especially important since the main input for the Swedish biorefinery is wood, a renewable resource, which, however, doesn’t exist in abundance, but needs to be handled with care. According to information received during an interview, Sweden has a growth of wood of about 120,000 m³ per year, with a harvest of about 85,000 m³ per year. Despite 30% of the wood remaining untouched today, NGOs put pressure on companies to reduce their need of wood since without actions, it is forecasted to grow over the current wood growth per year. Due to this and to the fact that increased productivity increases the company’s profitability, Domsjö Fabriker invests in more efficient technologies and use traceable wood. (Interview with person 3)

Regarding the traceability and sustainability of the wood used in production, Domsjö Fabriker started already before 2010 to comply to the standards issued by the Forest Stewardship Council (FSC). This means that only wood from environmentally-friendly and sustainable forestry is used in the production process (FSC, 2017). In 2010, the year of the company’s first sustainability report, 40% of the wood used was certified. In 2016, this number has reached 100%

Adding to this is the company’s approach to waste management. Its closed-loop production facility allows to reuse a high amount of input material, such as water. Furthermore, the by-products to the cellulose production, namely lignin and bioethanol, are marketed as well. The latter is also used as renewable energy source and thus, supports Domsjö Fabriker’s strategy to become a self-sufficient plant in terms of energy production and generation. (Domsjö Fabriker, 2016, p. 10-13) In the FY 2016, the Swedish company was set as the lighthouse example within the AB group for energy reduction and its near independence from fossil fuels. Already in 2009, the Swedish company joined the Program for energy efficiency and has since then reduced its use of fossil fuels to less than 0.5% (Domsjö Fabriker, 2016, p. 23). For these outstanding achievement, Domsjö Fabriker received a group-internal award.

The table below shows the development of the energy consumption per ton of produced specialty cellulose. Interesting is that the energy intensity increased steadily until the last year reported where it dropped by around 5% indicating that most of the energy saving initiatives took effect during this fiscal year.
Table 6: Energy consumption per ton of output (Domsjö Fabriker, 2011, p. 31; 2013, p. 3; 2014, p. 3; 2015, p. 4; 2016, p. 12)

<table>
<thead>
<tr>
<th>FY</th>
<th>2010/11</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
<th>2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialty cellulose production (T)</td>
<td>199,000</td>
<td>188,000</td>
<td>195,000</td>
<td>219,222</td>
<td>204,000</td>
</tr>
<tr>
<td>Energy consumption (GWh)</td>
<td>1,410</td>
<td>1,400</td>
<td>1,510</td>
<td>1,704</td>
<td>1,502</td>
</tr>
<tr>
<td>Energy intensity (MWh / T)</td>
<td>7.1</td>
<td>7.4</td>
<td>7.7</td>
<td>7.8</td>
<td>7.4</td>
</tr>
</tbody>
</table>

The following table shows the waste management at Domsjö Fabriker by comparing the quantity of produced specialty cellulose with the total waste as well as the recycled/re-used waste. Surprisingly, the quantity of total waste varies strongly from year to year as do the components of it. When compared to the production quantity, we can see in 2012/13, the amount of total waste per unit of specialty cellulose produced was at its lowest before increasing in the following year and decreasing in 2015/16. A partial explanation to this is the fact that in 2014/15, the production at the mill sometimes ran at full capacity, which caused additional waste per production unit.

Table 7: Waste management (Domsjö Fabriker, 2011, p. 31; 2013, p. 3; 2014, p. 3; 2016, p. 12)

<table>
<thead>
<tr>
<th>FY</th>
<th>2010/11</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
<th>2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialty cellulose production (T)</td>
<td>199,000</td>
<td>188,000</td>
<td>195,000</td>
<td>219,222</td>
<td>204,000</td>
</tr>
<tr>
<td>Total waste (T)</td>
<td>20,048</td>
<td>19,925</td>
<td>5,610</td>
<td>12,546</td>
<td>8,634</td>
</tr>
<tr>
<td>- of which landfilled</td>
<td>- 99.0%</td>
<td>- 5.5%</td>
<td>- 10.3%</td>
<td>- 3.8%</td>
<td>- 25.7%</td>
</tr>
<tr>
<td>- of which hazardous</td>
<td>- 0.4%</td>
<td>- 0.3%</td>
<td>- 4.1%</td>
<td>- 3.3%</td>
<td>- 1.6%</td>
</tr>
<tr>
<td>- of which recycled / re-used</td>
<td>- 0.6%</td>
<td>- 94.2%</td>
<td>- 85.6%</td>
<td>- 92.8%</td>
<td>- 72.9%</td>
</tr>
<tr>
<td>Total waste per T of specialty cellulose produced</td>
<td>10.1%</td>
<td>10.6%</td>
<td>2.8%</td>
<td>5.7%</td>
<td>4.2%</td>
</tr>
</tbody>
</table>

Economic

As described in the previous section, the financial dimension is considered as the foundation of CS. According to several interviews, without sufficient financial means, other activities than the basic production operations cannot be undertaken. Nonetheless, the CS activities are an essential part of Domsjö Fabriker’s business. They are considered a necessity to generate economic success in the future, especially with the opportunities for businesses becoming increasingly limited due to environmental and social constraints. (Interview with person 2 and person 3). Therefore, the presentation of economic performance together with the environmental and social is integral part of Domsjö Fabriker’s approach to link these aspects together. Furthermore, this supports to address them on a strategic level before translating them in operational concepts (Domsjö Fabriker, 2011, p. xi). Another aspect is productivity, which is important, but, as mentioned earlier, second to workplace safety. Nonetheless, the group requires Domsjö Fabriker to increase it productivity, which is achieved by a combination of investments in new, more environmentally-friendly technologies, innovative products, and employee motivation.

The table below shows the development of the productivity since 2011/12. Interesting is the sharp decline in productivity in 2012/13, which can also be seen in the decline of production quantity. While the quantity declined by only 5.5%, the productivity declined by over 40%. Most of this downward development can be explained by the overall price pressure on cellulose and its main products, viscose fibre. Therefore, a decline in prices
explains the decrease in turnover. When looking at the productivity measured in production quantity per employee, we can see an overall increase in productivity of 3% from 2012/13 until 2015/16. This shows that economic success is linked to motivated employees and new technologies.

Table 8: Employee growth and productivity (Retriever, 2017)

<table>
<thead>
<tr>
<th>FY</th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
<th>2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. employees</td>
<td>416</td>
<td>436</td>
<td>414</td>
<td>415</td>
<td>420</td>
</tr>
<tr>
<td>Specialty cellulose production (T)</td>
<td>188,000</td>
<td>195,000</td>
<td>219,222</td>
<td>204,000</td>
<td></td>
</tr>
<tr>
<td>Turnover (bn SEK)</td>
<td>3.18</td>
<td>1.98</td>
<td>1.88</td>
<td>2.08</td>
<td>2.09</td>
</tr>
<tr>
<td>YoY growth productivity&lt;sup&gt;7&lt;/sup&gt;</td>
<td>-40.9%</td>
<td>0.5%</td>
<td>10.4%</td>
<td>-0.7%</td>
<td></td>
</tr>
<tr>
<td>CAGR productivity&lt;sup&gt;8&lt;/sup&gt;</td>
<td></td>
<td>-8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>YoY growth production productivity&lt;sup&gt;9&lt;/sup&gt;</td>
<td>9.2%</td>
<td>12.2%</td>
<td></td>
<td></td>
<td>-8.1%</td>
</tr>
<tr>
<td>CAGR production productivity&lt;sup&gt;10&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td>3%</td>
<td></td>
</tr>
</tbody>
</table>

Scope of the report
As mentioned earlier, Domsjö Fabriker published its first sustainability report in 2011. As we learned during an interview, the company was looking for funding and was considering several options to access fresh capital, one of which was the initial listing on the stock exchange (IPO). Therefore, it engaged an external consultant to publish a sustainability report which is a prerequisite for a stock market listing. (Interview with person 2) This first report was based on the GRI C+ standards (Domsjö Fabriker, 2011, p. xi), which are the previous version of the GRI G4 standards. To be highlighted is the extensity of the first sustainability report where the company described, quantified and identified areas of actions.

Since Domsjö Fabriker was acquired by the AB group in 2011, the initial reason for the publication of a sustainability report disappeared. Nonetheless, the company wanted to keep the momentum in its reporting and published sustainability reports from 2012/13 on with a smaller scope than their initial one. During the FY 2015/16, the group decided to publish a sustainability report themselves (see Birla Cellulose sustainability report 2016) by applying the current GRI G4 standards, which Domsjö Fabriker took over for their reporting as well (Domsjö Fabriker, 2016, p. 3).

In 2010, the management at Domsjö Fabriker created a special working group for writing and publishing the sustainability report, a method that was kept for the subsequent reports. This group encompasses member from the main business functions and thus allows to draw a holistic picture of the sustainability activities within the company, from the social, over the environmental and the economic part.

<sup>7</sup> Productivity calculated as turnover per employee.
<sup>8</sup> See footnote above.
<sup>9</sup> Productivity calculated as production per employee.
<sup>10</sup> See footnote above.
5.2. Substitutability
Substitutability is the second constituent dimension and addresses the question whether low performance within one sustainability issue can be compensated for by high sustainability performance in another category (Lankoski, 2016, p. 851). In the following, we present the findings on two level, the overall CS level and zoom also into the individual dimensions of CS.

5.2.1. Aditya Birla Grasim
The level of substitutability at AB Grasim has evolved from being high to a low level of substitutability. As Mr. Birla, the group’s chairman, states in the article published in 2013 (Birla, 2013), their corporate presentations didn’t include environmental and safety aspects until they learned from their acquired targets and integrated that aspect as well. This has caused a positive development towards a stronger sustainability.

Until 2012, however, AB Grasim’s, sustainability activities were focused on CSR, both external and internal. Regarding the latter, the chairman stated that “our people [AB’s employees] are our future” (Grasim Industries Limited, 2011, p. 6) and the group aims at being recognized as the best employer wherever they operate. This, together with the trusteeship concept of management, shows their emphasis on social issues while environmental considerations have mostly been neglected. Between the social and economic dimension, however, AB Grasim has always seen a close interrelationship. Their future economic growth was and still is based on the internal human capital as well as the creation of a positive external reputation to attract talent (Grasim Industries Limited, 2011, p. 19).

In 2012, when the company developed and published its sustainability strategy, its sustainability developed positively in the sense that the environmental dimension of CS became more important. This can be exemplified by the fact that in AB Grasim’s risk assessment of 2013, not only social matters, but also environmental ones were linked to economic. In this annual report, the company addresses for the first time how the reduction of resource usage, including energy and raw materials, will help to overcome the challenge related to the limited availability of certain raw material. Furthermore, AB Grasim not only acknowledged the risk of not attracting sufficient talent, but that a negative public image could also negatively influence negotiation towards future potential M&A deals due to a company’s reluctance to enter a relationship with lacking consideration regarding social matters. (Grasim Industries Limited, 2013, p. 22)

In 2012/13, the entire group has also started to implement new policies, e.g. regarding stakeholder engagement, sustainable supply chain management, water management, health, and safety. This indicates a lower degree of substitutability, which means that also AB Grasim started to approach CS from a strategic level and simultaneously implementing all three dimensions of CS (social, environmental and economic) to become “the leading Indian conglomerate for sustainable business practices across its global operations” (Aditya Birla, 2017b). This change can be observed by the increasing number of environmental initiatives, e.g. in energy and waste management of sustainable forestry. According to information received during the interviews, the latter is currently subject to a project aiming at implementing a group-wide policy based on the principles
of sustainable forestry defined by the Forest Stewardship Council (Interview with person 2 and person 4). In the meantime, AB Grasim has already started to certify its businesses according to FSC standards and reports that in 2016 around 38% of the wood used in production processes complies to these standards (Birla Cellulose, 2016, p. 5).

Nonetheless, the social issues are still displayed in a more prominent way, also due to the dedicated Aditya Birla Centre for Community Initiatives and Rural Development, which drives the external social activities. The environmental dimension is guided by the unit around the Chief Sustainability Officer. According to an interviewee, the related responsibilities and processes still need to be organized properly and anchored fully in the strategic decision-making (Interview with person 2).

When we zoom into the individual CS dimensions social, environmental and economic, the fact that the sustainability has strengthened, but has not yet reached an entirely strong level is supported. Within the social dimension, their substitutability is certainly strong also due to the new internal policies and information systems which allow, since 2012, to track work-related accidents and fatalities. The environmental dimension as such, however, displays a weaker sustainability. This can be exemplified by considering that the plantation of trees around the company’s plants is supposed to compensate for the emission of greenhouse gases (Substitution of sustainability issues, see section 3.1.5). Nevertheless, AB Grasim also moves forward in this category and its sustainability is improving. Finally, the economic dimension as such is continuously strong and represents at the same time the foundation for the group’s engagement in CS. This can be seen by the links the company draws between this dimension as well as its social and environmental activities, which was presented earlier in this section.

5.2.2. Domsjö Fabriker
The Swedish company has displayed a low level of substitutability throughout the years, starting in 2010/11. In this first, very extensive report, the company declares that its strategy entails to grow profitable with a strong environmental and social profile. Their environmental engagement is based upon the company’s use of renewable raw materials as its main input. In addition, Domsjö Fabriker commercializes products which reduce the environmental footprint of more traditional materials, such as cotton, oil-based solvents, or carbon dioxide emissions. (Domsjö Fabriker, 2011, p. 8).

Since Domsjö Fabriker’s business relies on natural resources, CS has been anchored on a strategic level from early on as it is mentioned in the first sustainability report (Domsjö Fabriker, 2011, p. 7). Noteworthy is here that the senior management presides the related decision-making and includes sustainability in its business strategy. As we learnt from our interviews, the strategic aspects of CS have always been in the management’s focus because without a full integration of sustainability into the entire business organization, the company would not move forward (Interview with person 1, person 2 and person 3) and leverage its capabilities into a competitive advantage. This perspective is strengthened through the company communication in a professional network where they stated that CS is a competitive advantage for Domsjö Fabriker (Domsjö, 2017).
In general, we see that the focus of the company’s sustainability activities has been put on the environmental dimension which is in line with the company’s dependence on natural resources. Nonetheless, Domsjö Fabriker also demonstrates a high social profile in both areas, internal and external. Throughout the analyzed period, however, we could see a change in attention towards internal safety. As described in the following section, this was due to a peak in workplace related accidents which prompted the company to state in their sustainability report of 2015 that “a sustainable business begins with a safe workplace” (Domsjö Fabriker, 2015, p. 2). In fact, this constitutes the headline of the initial message written by the company’s CEO, which underlines the importance that is attributed to this issue.

Regarding the economic dimension, the company clearly presents the links between the financial performance and its environmental as well as social engagement. Considering financial success as a prerequisite for CS, Domsjö Fabriker does not see it as a substitute for success in the other two dimensions of CS, but as an enabler and, to close the circle, as a beneficiary of strategic sustainability. (Domsjö Fabriker, 2011, p. 8; Domsjö Fabriker, 2014, p. 2). Therefore, their sustainability profile gets stronger throughout the years driven by sustainably-responsible investments and activities to further nurture sustainable growth.

5.3. Goal-orientation
According to Lankoski (2016, p. 851-852), goal-orientation refers to whether the sustainability-related goals are set in absolute or relative, which means whether the company defines an absolute goal to be reached or whether it uses the benchmarks as relative goal-levels. The following describes AB Grasim’s and Domsjö Fabriker’s goal-orientation on an overall level as well as on the level of the individual CS dimensions, social, environmental, and economic.

5.3.1. Aditya Birla Grasim
At AB Grasim, the goal-orientation is relative throughout the studied period. Overall, the established objectives remain on a more general level without measurable objectives, but want to “constantly raise the bar and strive to match the world’s best on all the metrics of sustainability measurements” (Birla, 2014, p. 43). The company and the entire business group never quantify the progress they aim for or set benchmark indicators against which their performance could be measured. This, however, changes within the context of the first sustainability report. In 2016, the company integrates the Higg index as indicator and benchmark of their CS activities across the entire value chain and all business units of the AB group Birla Cellulose, 2016, p. 9). The Higg index is an online self-assessment tool with which a company can capture its impact in social, labor and environmental matters. Furthermore, the tool allows to compare the sustainability performance with industry averages and best-in-class companies. (Sustainable Apparel Coalition, 2017)

In the external social activities, the AB group has established the relative goal of improving India’s Human Development Index (HDI), something that remains the same throughout the years (Aditya Birla, 2017a). The HDI was created by the United Nations to measure a country’s state of development not merely by pure economic indicators, but
by combining them with social and environmental factors (see section 6.1.). The focus areas are the length and healthiness of the people’s life, their education as well as their living standard. This allows to create a holistic picture of the welfare situation within a country across all relevant levels of economy, society, and environment. (United Nations Development Program, 2017). Despite this being the objective of the external social engagement, it can also be linked to their internal activities in the social area. The first and third category, the quality of life and the living standard, can be linked to the company’s career development and recruiting. Through the education that the company provides to its workers, they progress in their career. At the same time, this also increases their income and thus, adds to their living standard as well as to their quality of life, for example, by enabling the families to get appropriate medical care. Furthermore, the expansion of the Indian business group includes the recruitment of additional workers who, through their employment, can provide for their families. Therefore, the relative goal in this area is reflected in the entirety of the company’s social activities.

In the economic dimension, the company has set an absolute goal in 2010/11. That year, the chairman of the group announced that they aimed to reach a turnover of $65 billion by 2015, a goal which was not achieved since the group’s turnover only amounts to $41 billion in 2016 (Birla Cellulose, 2016, p. 14). In the following years, the group then just sets the relative goal to leverage growth, by, for example, increasing customer centricity (Grasim Industries Limited, 2014, p. 4; Grasim Industries Limited, 2015, p. 8), cost efficiency (Grasim Industries Limited, 2014, p. 8), R&D activities as well as its efforts towards big data usage (Grasim Industries Limited, 2015, p. 8).

When it comes to the overall sustainability strategy and its related goal established in 2012, we can see that also this one is relative. The group states that it “endeavors to become the leading Indian conglomerate for sustainable business practices across its global operations” (Aditya Birla, 2017b). Since this objective relates to AB’s sustainability in comparison to other Indian conglomerates, their sustainability performance is once again measured against a benchmark, thus it is relative. The strategy, however, does not define the parameters of comparison, but is possible to assume that they use the Higg index as benchmark indicator. In general, we can say that this sustainability strategy’s relative goal-orientation reflects the goal-setting in the social and environmental CS dimensions, except for the economic, whose absolute goal, however, was not adjusted or renewed over time.

5.3.2. **Domsjö Fabriker**

The goal-orientation at Domsjö Fabriker is both absolute and relative. In 2010/11, the company displays an absolute goal-orientation related to environmental and economic measures, and relative related to social measures. The company, for example, highlights, as an absolute goal, the total independence of fossil energy sources and full traceability of its wood sources. The latter will be achieved through the implementation of an internationally recognized certificate (Domsjö Fabriker, 2011, p. 4). Furthermore, the company presents precise numbers regarding its emission levels, which are presented in table 9. While we can see that the results in 2010 lie well below the set objectives, the missing report in 2011/12 doesn’t allow a further tracking of the company’s progress in this area. In the following documents, the reporting style changed so that a direct and easy
comparison is not possible. In addition, no objectives for the next year are given in the reports anymore, which prevents an evaluation against set goals.

Further relative objectives stated in the environmental dimension, which remain the same throughout the years, are, for example: the continuous improvement in energy and water consumption, the compliance to all relevant environmental legal restrictions, such as the REACH legislation regarding the registration, evaluation, authorization and restriction of chemicals. (Domsjö Fabriker, 2011, p. 7, p. 17-18; Domsjö Fabriker, 2013, p. 2-3; Domsjö Fabriker, 2014, p. 3; Domsjö Fabriker, 2015, p. 4, Domsjö Fabriker, 2016, p. 11-17)

In consequence, the goal-orientation in the environmental dimension shifted from an absolute one to a relative, where the company strives for improvements without specifying the level of the envisioned progress. Therefore, the company loses its clear perspective and becomes softer in the way it evaluates its advances which might lead to less engagement in the pursuit of the goals and objectives (Interview with person 2).

Table 9: Objectives and results of emission levels (Domsjö Fabriker, 2011, p. 21)

<table>
<thead>
<tr>
<th>FY</th>
<th>Objectives emissions</th>
<th>Results emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>oxygen-consuming solids (T / day)</td>
<td>suspended solids (T / day)</td>
</tr>
<tr>
<td>2010</td>
<td>21</td>
<td>2</td>
</tr>
<tr>
<td>2011</td>
<td>20</td>
<td>1.75</td>
</tr>
</tbody>
</table>

When it comes to the social dimension, the goal-orientation is relative from 2010/11 on and stays that way throughout the analyzed period. Their general objective of “be[ing] a good business partner and player in society and will motivate and develop its employees through committed leadership” (Domsjö Fabriker, 2011, p. 9), which was set in 2010/11, has been pursued in the years to follow through various initiatives, such as the implementation of new trainings, partnerships with schools and universities and the increased awareness regarding sustainable sourcing (Domsjö Fabriker, 2013-2016). One exception to the relative goal-setting is the business policy implemented in 2015 regarding workplace safety, in which it is stated that the company aims for zero accidents (Domsjö Fabriker, 2015, p. 1).

Regarding the economic dimension, the goal set in 2010/11 is relative, since the company states that it’s “profitability and return will exceed the market cost of capital in the long term” (Domsjö Fabriker, 2011, p. 9). This is pursued through various projects, such as the support and participation in a cluster and center for sustainable development since 2009 as well as a continuous increase of production capacity (Domsjö Fabriker, 2013-2016). In contrast to this, no measurable short-term goals were defined, neither was this long-term goal addressed in any of the further reports. In 2016, Domsjö Fabriker states that it “strives to provide exceptional value to its customers by being responsible and environmentally conscious across each step of the value chain. We are working with our suppliers, neighbors, employees, local communities, industrial bodies and customers to
create value for all stakeholders.” (Domsjö Fabriker, 2016, p. 7). Even though this is in line with the objective to be profitable, it does not link clearly to its long-term goal of 2010/11. However, it addresses all three dimensions of CS and accentuates its integration in the business strategy. Generally, these reports and the work on them created an increased focus and awareness about the current level of CS within the company. According to information received during the interviews, especially the first sustainability report in 2010/11 served as a jumpstart for the identification and evaluation of sustainability-related objectives as well as for the further planning of the strategic CS. Furthermore, the strategic CS at Domsjö Fabriker is not driven by benchmarking it against peer companies, but by internal improvements, which are achieved through strategic short- and long-term planning. (Interview with person 2 and person 5)

5.4. Sustainability strategy
The following section encompasses several factors regarding the overall sustainability strategy, which complement the previously described three constituent dimensions. At first, we address AB Grasim before presenting the relevant factors for Domsjö Fabriker.

5.4.1. Aditya Birla Grasim
As written earlier, at AB group, the focus lies traditionally at the social activities in India. These are coordinated by the dedicated committee whose leader is the chairman’s mother who herself is a member of the Board of Directors. Traditionally, the social activities, both internal and external, were not directly connected to the group’s business strategy, but were and, to a certain extent, still are considered as compensatory and preventive actions regarding the company’s impact on society. The environmental dimension, on the other hand, developed gradually, but has, until today not reached the extensiveness of CSR on a group level.

Nonetheless, the entire Aditya Birla group has developed a strong interest in sustainability, including the interrelated social, environmental, and economic dimensions. This evolution becomes evident with the following information. In 2011, when AB Grasim acquired Domsjö Fabriker, a synergy conference was held. During this meeting, the Swedish business representatives presented their first sustainability report and the motivation to create an open and transparent communication with all stakeholders as well as to define objectives against which their development in the social, but especially in the environmental performance could be measured. The Indian businessmen, however, didn’t see the value in such a report or the Swedish sustainable approach anchored in the company’s strategy. According to them, a sustainability report was a PR document which held no real value for the business and they thus decided not to join the Swedes in their reporting.

Gradually the perspective of the Indians changed driven by their chairman Mr. Birla and in 2012, a Chief Sustainability Officer was hired. That year, the group published its first sustainability strategy with the vision of becoming “the leading Indian conglomerate for sustainable business practices across its global operations” (Aditya Birla, 2017b). According to information we received during an interview, this objective should be reached by 2017/18, which is highly ambitious and emphasizes the change in attitude as
well as the importance that is put on sustainability since 2012 (Interview with person 3). The sustainability strategy was developed by using a funnel metaphor which illustrates the decreasing legal scope for businesses to operate in and how internal resources and capabilities can be leveraged to create a resilient and pro-active business that will succeed in the future as well. To enable and link the sustainability strategy to the overall business strategy, AB identified three steps in different categories upon which they aim to act. These are responsible stewardship, stakeholder engagement, and future proofing. The overall timeline for the entire sustainability strategy to take effect is planned for 2030 until 2050. (Aditya Birla, 2017b)

Responsible stewardship refers to the creation of “a framework to move [Aditya Birla] towards international standards and mitigate our impact on “Externalities”” (Aditya Birla, 2017b). This area includes the pro-active management of the entire operations to comply to the highest international standards in various areas, such as ISO 140001 for environmental management systems. Furthermore, the group aims at sharing knowledge across its operations to identify best practices and leverage those for the other business units as well. More attention is also given to a sustainable supply chain management including logistics and transport. (Aditya Birla, 2017c).

Stakeholder engagement is divided into an operational and a strategic part. The operational part consists of day-to-day issues and their communication. The strategic part, however, is directed towards long-term strategic communication to leverage knowledge from important stakeholder groups regarding expected changes in the environment so that the strategy can develop their business strategy accordingly so that not only pitfalls are avoided but opportunities are seized. (Aditya Birla, 2017d)

The third step, future proofing refers to adaptation of the business strategy according to the information and requirements elaborated throughout the two previous steps. Future proofing also extends to the supply chain, which is increasingly internalized at AB Grasim and Birla Cellulose through the backward integration and the resource pre-emption. (Aditya Birla, 2017e).

The effects of this strategy can be observed through various factors of which the most obvious is the publication of the first sustainability report in 2016. This report addresses for the first time sustainable logistics, the evaluation of suppliers according to sustainable business principles as well as the implementation of extensive management tools to support the sustainability strategy and related decision-making. These tools include, for example, communication systems which allow the reporting of incidents in six key domains of sustainability, namely, health, safety, environment, social, labor and legal. Before the implementation of this comprehensive system, data was difficult to access and even more difficult to track the development of key indicators in these areas. (Birla Cellulose, 2016)

For the strategy to be developed and realized, the group has created a dedicated department for sustainability issues, whose responsibilities and tasks, however, are, according to information we received during an interview, not well defined and communicated across the individual business operations (Interview with person 2). When it comes to leadership, the top management and especially the group’s chairman strongly
support the sustainability strategy and drive them on a strategic level. In general, leadership at Aditya Birla is based on values which were defined by Mr. Birla and communicated from the top level to the bottom. These values are integrity in doing business, commitment to their work, passion for their work, seamlessness in cooperating between business operations, and speed in delivering value to customers. All five areas relate strongly to the trusteeship concept of management which the group follows as they focus on their most important stakeholders, employees, customers, and society.

Furthermore, even though an overarching sustainability strategy exists and the group aims at linking it strongly to its overall business strategy, the environmental dimension still seems to be less integrated than the social one. This becomes evident when we consider the group’s mission which states that their aim is “to deliver superior value to our customers, shareholders, employees and society at large” (Aditya Birla, 2017f). Once again, the social aspect of their sustainability work is underlined, while the regard for environmental issues is not evident.

5.4.2. Domsjö Fabriker

At Domsjö Fabriker, sustainability has a long history and is integral part of its strategy and business operations. From 2010/11 on, the company links social, environmental and economic considerations together and pursues its strategy throughout the years. Senior management is involved in sustainable decision-making from the start, defines the strategic direction and operationalizes the strategy. This guidance is translated into sustainability policies, which cover the entire business operations and presents the added value the workforce. (Domsjö Fabriker, 2011, p. xi) Latter is actively engaged in the development of the sustainability report in 2010/11 and thus, in the formulation of the sustainability strategy. This ensures its supports at all levels and strengthens the sense of responsibility among the entire staff. At that time, for example, as new project was launched with the objective to increase capacity and deliver environmental advantages to all operations (Domsjö Fabriker, 2011, p. 3).

In 2012/13, the sustainability work was emphasized with the creation of a new business function, HSEQ, which stands for health, safety, environment, and quality. The department was and is responsible for the elaboration of the sustainability strategy, the alignment with the business strategy as well as its implementation in the organization. The combination of the business functions related to HSEQ started, according to an interviewee, in 2008/09, with first bundling all environmentally-related issues at a central level, then adding health, safety and finally quality to the responsibilities of the dedicated department. (Interview with person 2)

One year later, the Swedish staff was educated in the AB group’s values and went on to implement them into their daily work. In 2016, the company states in their sustainability report that their sustainability engagement and their related strategy are an expression the interrelatedness between the five values - integrity, commitment, passion, seamlessness, and speed -, their engagement to environmentally-conscious products and to a sustainable value chain (Domsjö Fabriker, 2016, p. 3). Here we can see that the Swedish company has integrated the foundations of AB’s business strategies. Furthermore, Domsjö Fabriker has converted to a biorefinery, thus creates an internal cycle of resource re-usage,
commercializes the production by-products, engages in responsible sourcing and stakeholder involvement. This shows that the Swedish company is ahead of its parent company in terms of implementation of CS on a strategic level and the overall alignment of objectives in the social, environmental, and economic dimension.

In addition, the three steps of Aditya Birla’s strategy have also been transferred to Domsjö Fabriker, but given its advanced state where CS is concerned, its implementation is also ahead of its parent. This can be seen, for example, when looking at responsible stewardship and future proofing. Domsjö Fabriker has always worked on high international standards and includes the concept of the bio-economy into its business model, whose “goal is a more innovative and low-emissions economy, reconciling demands for sustainable agriculture and fisheries, food security, and the sustainable use of renewable biological resources for industrial purposes, while ensuring biodiversity and environmental protection” (European Commission, 2016). As mentioned earlier, Domsjö Fabriker is a biorefinery with an efficient input and output management, which encompasses not only the company itself, but also its supply and value chain (Domsjö, 2017). Therefore, the Swedish company already confines to future challenges and has created a state-of-the-art sustainable company, which is also acknowledged by its parent company by setting Domsjö Fabriker as lighthouse example in this area.
6. Analysis and discussion

In this chapter, we present the analysis of our empirical research through the perspective of the theoretical framework. It is divided into four parts and will start with analyzing the foundation and strategic reason of CS commitment. In the following, we evaluate alternative conceptions of CS related to scope, substitutability and goal-orientation. This will then act as point of departure for the analysis of the maturity level and profiles of CS strategies.

6.1. Foundation and strategic reason of Corporate Sustainability

Implementing CS into operational business is complex as global sustainability challenges need to be translated into a business-specific context. Therefore, this challenging task needs to be based on a strong foundation and a related strategic reason (Baumgartner & Rauter, 2017, p.83). The foundation and strategic reason of CS commitment answers the question of why the company regards sustainability as important and relevant for their business (Baumgartner & Rauter, 2017, p. 82). The foundation is the normative standpoint related to how to understand the overall global sustainability challenge (United Nations [UN] Global Compact, 2017) and its importance. The strategic reason refers to the relevance and/or the advantages of implementing CS. As mentioned in the theoretical framework, strategic reasons vary between companies, ranging from normative-ethical to pure economic motives (Baumgartner & Rauter, 2017, p. 83). In general, it is argued, however, that CS engagement need to generate both societal and business value to leverage long-term business success (Broman & Robèrt, 2017, p. 73).

When analyzing the empirical data related to the foundation and strategic reason of committing to CS, we found that both companies clearly acknowledge the global sustainability challenges as the foundation of the business specific CS (Birla Cellulose, 2016, p. 6; Domsjö Fabriker, 2016, p. 10). Although findings show that both AB Grasim and Domsjö Fabriker included a normative foundation early on, it was leveraged by the coordination and the managerial engagement on a group level at AB (see section 5.4.). The common sustainability framework created in 2012 constitutes a joint point of departure. This framework illustrates the sustainability challenge through a funnel metaphor highlighting the self-interest of a proactive engagement in avoiding hitting the funnel. Latter represents both societal and environmental constraints which result in limited business opportunities (Aditya Birla, 2017a). Interesting to note here is the similarity of the communicated CS metaphor to Holmberg & Robèrt (2000, p. 292) who underline the importance of commitment to CS by using the same analogy. Therefore, AB’s sustainability strategy exemplifies the theoretical considerations and emphasize the necessity to pro-actively prepare the business for future challenges. In the case at hand, the proactiveness is supported by the creation of complementary and superior capabilities based on the additional resources both companies can access through the acquisition.

Related to learning, Domsjö Fabriker and AB Grasim seem to have developed the foundation of their common sustainability strategy supported by the transfer of knowledge and a group level coordination. This process aligns well with the theory regarding the leverage of common capabilities with the aim of double-loop learning (Haspeslagh & Jemison, 1991, p. 157; Kale et al., 2009, p. 114). As we could also see, the changes at both companies were incremental and not visible immediately (see section
5.1. for example). This reflects the time needed to establish channels for the exchange of information and the generation of superior knowledge through organizational learning (Argyris, 1990, p. 94; Argyris & Schön, 1996, p. 22).

When looking at the strategic reason for committing to CS, findings indicate that the strategic reasons at AB Grasim and Domsjö Fabriker both match and differ. As argued by Broman & Robèrt (2017, p. 73) the strategic reason determined by the management needs to enable long-term business success. Furthermore, it is necessary to build this reason upon specific context-related characteristics as well as the outlook of creating societal and business value. Our research showed that AB Grasim and Domsjö Fabriker align in establishing economic growth as the primary strategic reason of CS (see section 5.1.). The companies’ commitment to CS is described as increasingly important for long-term business success and to meet stakeholder expectations (see section 5.4.). Thus, driven by a stakeholder perspective, CS becomes a precondition to legitimize the business activities, yet it is still subordinated to economic growth.

The secondary strategic reason, however, differs between the companies. This discrepancy reflects the differences in business contexts (see section 5.4.) and the approaches of generating societal and business value. AB Grasim is, to a high degree, anchoring CS in the social dimension, especially in the external social, while Domsjö Fabriker mainly focuses on the environmental dimension. This difference is in line with Hart & Dowell (2011, p. 1466) and Khanna & Palepu (1997, p. 44-46) who present in their work the relationship between the business environment and the focus of CS. Additionally, it links to the RBV and stakeholder perspective. The former states that companies possess different resources according to their environment and business activity. These resources are then deployed in the most effective and efficient way to generate value and create a competitive advantage (Barney, 1991, p. 211-213; Porter, 1998, p. 48; Wernerfelt, 1984, p. 171). As emphasized by Hart (1995, p. 999), a company’s competitive advantage is strengthened if it is underpinned with a stakeholder perspective, which means that their expectations are met. Building upon these theoretical points, we can see that the Indian and Swedish business context differ in their resource allocation. AB Grasim is originated in an emerging country with lacking infrastructure, e.g. regarding education and healthcare. Thus, the company aims at contributing to the social development of India by reducing poverty and improving the livelihood in rural areas and in locations where the company is situated (Grasim Industries Limited, 2010, 41-43). Domsjö Fabriker’s strategic reason for committing to CS is dominated by environmental motives by e.g. reducing emissions to water and air, safeguarding a sustainable forestry industry and developing products substituting for fossil oil based products. Domsjö Fabriker’s environmental profile is well established in the business operations and adds societal value through environmental conservation and the transition towards a bio-economy (see chapter 5.4.2.). Therefore, we conclude that the disparity in resources combined with the difference in stakeholder demands lead to a divergence in strategic reason for and focus of CS.
Table 10: Foundation and strategic reason for CS

<table>
<thead>
<tr>
<th></th>
<th>AB Grasim</th>
<th>Years</th>
<th>Domsjö Fabriker</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normative foundation of CS</td>
<td>Sustainable development on macro-level</td>
<td>2012-2016</td>
<td>Sustainable development on macro-level</td>
<td>2010-2016</td>
</tr>
<tr>
<td>Strategic reason</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- primary Economic reason</td>
<td>2010-2016</td>
<td>Economic reason</td>
<td>2010-2016</td>
<td></td>
</tr>
<tr>
<td>- secondary Social reason</td>
<td>2010-2016</td>
<td>Environmental reason</td>
<td>2010-2016</td>
<td></td>
</tr>
</tbody>
</table>

6.2. Corporate Sustainability

When studying CS, it is essential to consider that CS can be interpreted and understood in different ways. The reason is that CS is a contested concept which incorporates different, but still valid conceptions. (Lankoski, 2016, p. 854) To understand these conceptions, the categories of scope, substitutability and goal-orientation need to be clarified. Generally expressed, the broader the scope, the lower the degree of substitutability and the more absolute the goal-orientation, the more comprehensive the CS. (Lankoski, 2016, p. 282-283) A broader scope relates to a larger amount of sustainability issues covered. A low degree of substitutability treats each sustainability issue as individually important and absolute goals allow to measure sustainability on a higher target level and against specific objectives (Lankoski, 2016, p. 282-283). The analysis highlights differences and similarities in the general conception of CS and traces changes influenced by the post-acquisition context.

6.2.1. Scope

The scope of the CS strategy relates to the “content domain of sustainability and what are consequently regarded as sustainability issues” (Lankoski, 2016, p. 852). When analyzing the findings, we saw that the common scope of sustainability has changed from narrow to broad, covering all three CS elements of social, environmental and economic issues. This change can be understood as an increased level of comprehensiveness (Lankoski, 2016, p. 852). To enable an analysis of the sustainability-related scope and trace changes throughout the period, we studied a variety of sustainability documentation and coded the information into social, environmental and economic dimensions. Overall, we can say that the developments within the scope of both parties have been influenced by the post-acquisition integration. The primary driver was the transfer of knowledge, the experience exchange and the establishment of a long-term collaboration. Both AB Grasim and Domsjö Fabriker acknowledge the understanding of sustainability as broad, but naturally also with individual differences and focus areas, as mentioned earlier. A broad scope aligns with the normative foundation of CS as a common point of departure. Typical differences within the scope relate to different focus areas in line with the respective strategic reason of committing to CS. (see section 6.1.)
Table 11: Scope at AB Grasim and Domsjö Fabriker indicating narrow or broad sustainability

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>AB Grasim</td>
<td>Narrow</td>
<td>Narrow</td>
<td>Broad</td>
<td>Broad</td>
<td>Broad</td>
<td>Broad</td>
<td>Broad</td>
</tr>
<tr>
<td>Domsjö Fabriker</td>
<td>Broad</td>
<td>N/A</td>
<td>Broad</td>
<td>Broad</td>
<td>Broad</td>
<td>Broad</td>
<td>Broad</td>
</tr>
</tbody>
</table>

Developments
In general, the scope of AB Grasim, as the acquirer and the dominant party, has not been imposed on Domsjö Fabriker, which can be illustrated by the continuous individual focus of the different scopes throughout the analyzed period. This is in accordance with the expectations related to the integration approach, which indicates a soft integration strategy with a high degree of strategic interdependence and organizational autonomy (Hassieslagh & Jemison, 1991, p. 145). Analyzing the scope related to environmental issues reveals another relationship as the integration process has extended the scope in the environmental dimensions. Domsjö Fabriker, the target company, has influenced AB Grasim, the acquirer which suggests an active transfer of knowledge between the parties as well as the assessment of Domsjö Fabriker’s capabilities as valuable and complementary to the acquirer’s. Furthermore, the gradual development indicates that reverse spillover effects have taken place which serve as a foundation for the increase of AB Grasim’s competitive edge in the domestic market (Chen et al., 2012, p. 204; Khanna & Palepu, 1997, p. 41). When linking the focus of AB Grasim’s CS to the social and economic development in India, we can see that the company focuses on social issues to overcome the institutional void in its domestic market (Khanna & Palepu, 1997, p. 41-48). This means that AB Grasim incites progress on the product, labor and capital markets in India. Other actors, such as the government contributes to this progress as well by, e.g. establishing appropriate regulations (see 5.1.1). In consequence, the more these markets develop, the more focus is put on environmental issues. When taking the historical development of CS into account, one can clearly see parallels since CS has its origins in the CSR engagement and expanded subsequently to include environmental issues as well (Gibson, 2006, p. 172; Keitsch, 2010, p. 241). Therefore, the acquisition of a high-profile company in the environmental domain and the following knowledge exchange increases AB Grasim’s capabilities and leverages the company’s competitive advantage by presenting a strong sustainability profile.

It is, however, important to remember the relationship between the scope of CS and the economic strategic reason for committing to CS in the first place. Since Domsjö Fabriker has a well-established sustainability profile through which it derives a competitive advantage, limiting the environmental scope of CS would potentially induce a business risk. As a bio-refinery with products substituting for products based on fossil oil, Domsjö Fabriker strongly depends on the environmental profile as the foundation of its business activity. The NRBV supports this by emphasizing a company’s interrelationship with the environment and the arising necessity to engage in actions mitigating the negative environmental impact (Hart, 1995, p. 987; Holmberg & Robèrt, 2000, p. 292). As Domsjö Fabriker’s relationship with the environment is especially pronounced, the importance of the environmental element of CS is high too. This means that the company’s dependence on natural resources is its business foundation and thus, without it, it would cease to exist.

The economic scope of both companies CS is presented in general financial terms of economic value generated, distributed and retained but it is not related to sustainability
issues (see section 5.1.). The economic scope is described as a precondition of business success, which can be illustrated with the following quotes: “We believe that placing sustainability at the core of our business will help us maintain a competitive edge” (Birla Cellulose, 2016, p. 4) or “Sustainable economic performance is critical for business continuity” (Domsjö, 2016, p. 16). Even though CS is seen as an indirect financial driver, it is not further explained in the sustainability reports (see section 5.1.). In line with Schaltegger & Wagner (2006, p. 33), this could be understood as a challenge since translating sustainability into financial measures need to capture complex relationships with a high degree of uncertainty and long-term pay off. Nonetheless, the interrelationship between financial pay-off and CS engagement are important for stakeholder and especially shareholder communication. In a post-acquisition integration, it is crucial to gain a broad stakeholder support for strategic initiatives and changes (Freeman & Reed, 1983, p. 96; Dyllick & Hockerts, 2002, p. 131). In consequence, strategic CS needs to be connected to overall business concerns and the company’s engagement need to be communicated in this context. Furthermore, we also expect more emphasis on the interrelationship between the three CS elements and see that both companies aim for a more comprehensive CS strategy which is underpinned by the inclusion of stakeholders.

6.2.2. Substitutability
As presented in the findings, substitutability distinguishes the conception of CS between AB Grasim and Domsjö Fabriker. AB Grasim demonstrates a weaker form of sustainability throughout the analyzed period, substituting for lower achievements within one dimension by higher achievements within another area. This becomes clear when considering the company’s higher performance in the social dimension and the lower in the environmental dimension (Grasim Industries Limited, 2014, p. 38-44). Furthermore, AB Grasim also substitutes for weaker activities within the same dimension, exemplified by the initiative to plant trees to compensate for their environmental impacts (Grasim Industries Limited, 2011, p. 45). Since substitutability considers trade-offs between sustainability issues, it is reasonable to conclude that AB Grasim’s higher engagement in the social dimension is primarily related to its business context and history of CS (see section 6.1.). A high degree of substitutability is generally described as a more relaxed conception of CS (Lankoski, 2016, p. 852), which implies a less comprehensive understanding of sustainability. Consistent with the development of AB Grasim’s scope of CS, which extended during the period from narrow to broad, we consider the conception of substitutability as moving towards a lower degree. This results in a strengthened sustainability which can be seen through the increased attention AB Grasim puts on all three elements of CS, individually taken, and their integration into the overall sustainability strategy.

The CS of Domsjö Fabriker has, during the period, demonstrated a low degree of substitutability, including all three elements individually, measured against their own objectives (see section 5.2.). The social dimension, which could initially be described as weaker than the environmental and economic dimensions, has been strengthened through the influence of the new parent company as well as through Domsjö Fabriker’s own initiative (see section 5.2.). Therefore, we again point to the fact that the soft integration approach and double-loop learning seem to have aligned both parties in the common process of positive development and a strengthening of the CS levels.
Table 12: Substitutability at AB Grasim and Domsjö Fabriker indicating weak or strong sustainability

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>AB Grasim</td>
<td>Weak</td>
<td>Weak</td>
<td>Weak</td>
<td>Weak</td>
<td>Weak</td>
<td>Weak</td>
<td>Weak</td>
</tr>
<tr>
<td>Domsjö Fabriker</td>
<td>Strong</td>
<td>N/A</td>
<td>Strong</td>
<td>Strong</td>
<td>Strong</td>
<td>Strong</td>
<td>Strong</td>
</tr>
</tbody>
</table>

6.2.3. Goal-orientation

The findings show that the goal-orientation of AB Grasim is relative through the analyzed period, while the goal-orientation of Domsjö Fabriker changed from absolute to relative. The relative goal-orientation of AB Grasim is exemplified by using the Higg Index as external benchmark of CS benchmark and by aggregated measures on a group level (see section 5.3.). On the one hand, such relative objectives make it more difficult to track the level of progress. This is because the external benchmark, as point of reference, may decrease and then, the goals set in relation to it demand less improvement in absolute terms. Furthermore, an aggregated analysis hinders an individual assessment of single businesses. This might lead to a lack of motivation and effort as the single unit cannot observe its tangible and direct impact on CS improvements. In the long-run, less challenging objectives might cause a regression in the CS improvement. (Amini & Bienstock, 2014, p. 12-13; Lankoski, 2016, p. 851-853) On the other hand, the development of relative goal-orientation might reflect the different organizational circumstances. Since AB Grasim operates on an aggregated level and manages subordinated business units, for example Domsjö Fabriker, CS related measures need to align on an aggregated group level. The adaptation of a relative goal-orientation at Domsjö Fabriker could, therefore, be understood as a logic consequence of the post-acquisition integration. Despite the organizational autonomy which is given to Domsjö, the integration requires the establishment of a common strategy and overall objectives to which the all businesses within the group can adhere (Amini & Bienstock, 2014, p. 12).

As our research shows, the integration of relative goals at Domsjö Fabriker is accepted, but it also causes internal tensions and gives rise to conflicting interests. One example is the understanding of relative goals as less relevant for Domsjö Fabriker’s internal CS development, but relevant to get all group companies on track as included in the overall development process. In this case, the trade-off situation described by Hahn et al. (2010, p. 217-218) relates to the goal-orientation in the sense that a compromise between interests deriving from an individual and a higher organizational level need to be found. The integration of an overall coherent conception of strategic CS, to which the relative goal-orientation contributes, is in line with Baumgartner & Rauter (2017, p. 82) who argue that to generate substantial outcomes, strategic CS is in need of a common foundation.

When looking at AB Grasim, another explanation to why relative goals are better suited in this context is the far reaching and long-term sustainable engagement regarding the improvement of social infrastructure in India. Measuring improvements on such a system-level could inherently be difficult in absolute terms, but are made possible by using relative benchmarks. Furthermore, the overall sustainability strategy implemented on a group level clearly states that they aim at becoming the best-in-class company regarding CS (Aditya Birla, 2017b). This corresponds to the perspective linked to the RBV as the company’s capabilities improved and strengthened throughout several years, are used with the aim to create an advantage over its competitors (Barney, 1991, p. 211-213).
this advantage is inherently relative because it compares the company to its peers, the relative goal-orientation matches this strategic objective to the CS strategies.

In summary, we find that the use of a relative goal-orientation is twofold. It is positive since it is inclusive and aiming for the entire business group to reach a high level of strategic CS. But it also sets constraints regarding the evaluation of the effectiveness between the strategic intention and its implementation in practice. Even though we see that before the acquisition in 2010, Domsjö Fabriker displayed a higher critical goal-orientation, the convergence of this constituent dimension supports the overall alignment of CS conceptions. According to Lankoski (2016, p. 854), this overcomes a potential limitation in the effectiveness of CS.

Table 13: Goal-orientation at AB Grasim and Domsjö Fabriker indicating relative or absolute sustainability

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>AB Grasim</td>
<td>Relative</td>
<td>Relative</td>
<td>Relative</td>
<td>Relative</td>
<td>Relative</td>
<td>Relative</td>
<td>Relative</td>
</tr>
<tr>
<td>Domsjö Fabriker</td>
<td>Absolute</td>
<td>-</td>
<td>Absolute/ Relative</td>
<td>Relative/ Absolute</td>
<td>Relative</td>
<td>Relative</td>
<td>Relative</td>
</tr>
</tbody>
</table>

6.2.4. Typologies of Corporate Sustainability

As a summary of the constituent dimensions of CS, eight typologies are established related to the binary combination of scope, substitutability and goal-orientation. The typologies outline a range of objectives and expected outcomes to be achieved and managed. (Lankoski, 2016, p. 853) Generally, a broad scope, low degree of substitutability and absolute goal-orientation are more demanding, since they relate to achievements within an increased number of sustainability issues, measured by individual indicators and to a higher target level (Lankoski, 2016, p. 853).

As the analysis shows, the post-acquisition integration of CS started off with different conceptions of CS between the acquirer and the target. These can be traced both to scope, substitutability and goal-orientation (see sections 6.2.1. to 6.2.3.). Despite the potential risk of conflicts related to different conceptions of CS, the integration process has overcome the differences through a high degree of interdependence and transfer of knowledge (see section 5.4.) The initial state of CS at Domsjö Fabriker and AB Grasim has been influenced by the post-acquisition integration process. Below follows an outline of these developments and related typologies.
Table 14: Typologies of CS (based on Lankoski, 2016, p. 853)

<table>
<thead>
<tr>
<th>Rank of CS’ comprehensiveness&lt;sup&gt;11&lt;/sup&gt;</th>
<th>Alternative conceptions of sustainability</th>
<th>General objectives of strategic CS</th>
<th>Company / Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>broad, strong, absolute</td>
<td>to achieve critical outcome for each individual CS element</td>
<td>Domsjö Fabriker / 2010</td>
</tr>
<tr>
<td>2</td>
<td>broad, strong, relative</td>
<td>to exceed reference performance in each CS element</td>
<td>Domsjö Fabriker / 2016</td>
</tr>
<tr>
<td>3</td>
<td>broad, weak, relative</td>
<td>to exceed reference performance across all three CS elements</td>
<td>AB Grasim / 2016</td>
</tr>
<tr>
<td>4</td>
<td>narrow, weak, relative</td>
<td>to exceed reference performance in environmental element</td>
<td>AB Grasim / 2010</td>
</tr>
</tbody>
</table>

Development
As the table above indicates, the scope and the goal-orientation of CS at both companies have developed towards a common level. The initial difference in substitutability, however, has been maintained during the studied period, although with a movement towards a lower degree of substitutability at AB Grasim. According to Lankoski (2016, p. 852), the movement of AB Grasim in scope and substitutability can be understood as improvements as it now complies to a more comprehensive understanding of CS. Regarding Domsjö Fabriker’s development towards a relative goal-orientation, on the other hand, indicates a slight decrease in the level of comprehensiveness. Therefore, the highest level of comprehensiveness (table 14, no. 1) was reached by Domsjö Fabriker in 2010, which changed towards a slightly lower level (table 14, no. 2) in 2016. The opposite applies to AB Grasim, which moved from a lower level of comprehensiveness (table 14, no. 4) to a higher level (table 14, no. 3). Overall, the table reflects the companies’ commitment and development towards a common conception of CS, which is assumed to continue in the following years in accordance with the further implementation of the overall sustainability strategy.

<sup>11</sup> Rank indicates the level of comprehensiveness regarding CS. A broad, strong and absolute sustainability represents the highest level of comprehensiveness, while a narrow, weak and relative sustainability corresponds to the lowest level of comprehensiveness.
6.3. Overall sustainability strategy

In this section, we first analyze the maturity of the CS dimensions and the development before using the maturity levels (see appendix 3) to identify the type of sustainability strategy of AB Grasim and Domsjö Fabriker. Both, the maturity levels as well as the related strategy types are based on the work of Baumgartner & Ebner (2010).

6.3.1. Maturity level of Corporate Sustainability

In addition to the evaluation of the individual aspects related to the three elements of CS social, environmental and economic, we assess the maturity level of the CS dimensions (see appendix 3). The latter is based on the work of Baumgartner & Ebner (2010, p. 78, p. 81) who highlight the need to evaluate key sustainability issues as they determine the degree to which sustainability goals are reached. Therefore, we will analyze the empirical findings according to maturity levels. By that, we complement the conception of CS with the maturity levels of related CS strategies of AB Grasim and Domsjö Fabriker. With regards to the three dimensions of CS, the evaluation of the maturity levels is also divided into these three dimensions, with the social being further split into internal and external social activities. The maturity of the individual aspects has four levels, namely beginning, elementary, satisfying, and sophisticated (Baumgartner & Ebner, 2010, p. 81). The more integrated the individual CS aspect in the overall strategy, the higher its maturity level. In the following, we assess the CS aspects and their development in all three dimensions for Grasim as well as Domsjö Fabriker.

Internal Social

Table 15: Internal social aspects and maturity level (adapted from Baumgartner & Ebner, 2010, p. 84).

<table>
<thead>
<tr>
<th>Maturity level 1: Beginning</th>
<th>Maturity level 2: Elementary</th>
<th>Maturity level 3: Satisfying</th>
<th>Maturity level 4: Sophisticated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal social sustainability aspects</td>
<td>ABG_2010 - 2015</td>
<td>ABG_2016 DF_2010 - 2016</td>
<td></td>
</tr>
<tr>
<td>Corporate governance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human resources development</td>
<td>ABG_2010 - 2011</td>
<td>ABG_2012 - 2016 DF_2010 - 2016</td>
<td></td>
</tr>
</tbody>
</table>

The first CS aspect is corporate governance, which assesses the transparency and the quality of stakeholder relationships of the respective company (Baumgartner & Ebner, 2010, p. 80). In 2010, AB Grasim displays an elementary level of corporate governance (see appendix 3) as they comply to mandatory legislation in the respective country regarding shareholder and investor transparency. Furthermore, voluntary actions to as defined by the company’s code of conduct are undertaken to enhance transparency and communication. With the different policies and the detailed sustainability reporting published for the first time in 2016, Grasim’s corporate governance develops to a satisfying level (see appendix 3) as they implement a proactive approach towards continuous improvements. As far as Domsjö Fabriker is concerned, its corporate governance reaches a satisfying level already in 2010. Mandatory and voluntary frameworks are implemented within the company (see appendix 3). In addition, the
regular dialogue with stake- and shareholders as further measures enables Domsjö Fabriker to reach the third maturity level. With the implementation of the business policy in 2015, proactive steps for a further improvement in transparency is set. (see appendix 3).

Secondly, the aspects of health and safety are addressed. As our research reveals (see section 5.1.) especially workplace safety at AB Grasim was not properly monitored and assessed until 2012 leading to a maturity level of beginning (see appendix 3). In 2013/14, workplace safety projects started to be implemented across the business unit. This was also the first year that this risk was included in the risk management reporting, thus increasing AB Grasim’s level to satisfying (see appendix 3). Domsjö Fabriker, on the other hand, displayed a satisfying level of health and safety (see appendix 3). Legal obligations were fully met and measures, such as trainings had been implemented. The deployment of those, however, had a reactive character, which can be illustrated by the project Säkert Domsjö, which translates into Safety at Domsjö. In 2012/13, more accidents than usual occurred, among those two severe ones. In reaction to that, the company started the new project the following year with the support of its new parent company (see section 5.1.2.) Consequently, the health and safety maturity level has evolved into a sophisticated stage as the new project changed the company’s reactive approach to a proactive one. Thus, Domsjö Fabriker continuously works on improving related aspects through employee feedback and proposals. This leads to a sophisticated maturity level in 2016 as our analysis shows that the project has taken full effect that year (see section 6.2.1.; see appendix 3).

The third category of the internal social dimension is the development of human capital. Here, it not only captures general education and training offers, but specifically refers to trainings towards sustainability issues. In 2010, AB Grasim shows a beginning level in this area as we could not find any proof of specific measures. In 2012, as the Indian business group sets its first sustainability strategy, certain actions were undertaken to communicate the strategy as well as its implications across the group. This leads to an evolution of its related maturity level to elementary. It then remains at this level throughout the years as no further specific sustainability trainings or workshops are offered. (see appendix 3) The latter aligns with Domjsjö Fabriker, who implemented basic sustainability communication in 2010 when the company wrote their first sustainability report (see section 5.1.2.). This equals an elementary level of human capital development, which remained on that level throughout the analyzed period (see appendix 3).
External Social

Table 16: External social aspects and maturity level (adapted from Baumgartner & Ebner, 2010, p. 85)

<table>
<thead>
<tr>
<th>Maturity level 1: Beginning</th>
<th>Maturity level 2: Elementary</th>
<th>Maturity level 3: Satisfying</th>
<th>Maturity level 4: Sophisticated</th>
</tr>
</thead>
<tbody>
<tr>
<td>External social sustainability aspects</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate citizenship</td>
<td></td>
<td>ABG_2010-2016 DF_2010 - 2016</td>
<td></td>
</tr>
</tbody>
</table>

This category contains two aspects, namely the companies’ ethical behavior and human rights as well as corporate citizenship. Regarding the first one, AB Grasim developed from an elementary level in 2010 to a satisfying stage in 2016 (see appendix 3). In the beginning, the company defined general rules regarding ethical behavior in its code of conduct, which was based on internationally acknowledged human rights (Grasim Industries Limited, 2011, p. 22). This evolved with the integration of the group-wide business policies in 2016. Domsjö Fabriker has, since its sustainability report in 2010, established company-wide guidelines, thus displaying a satisfying level from the beginning (see appendix 3). This position has been strengthened with the implementation of the business policy in 2015 and the adoption of AB Grasim’s guidelines. (see section 5.3.2.)

In case of corporate citizenship, AB Grasim started with a satisfying level 2010. This can be linked to the initiation of projects (in its external social activities) which have been directly linked to its business through the trusteeship concept of management. With the implementation of the group’s sustainability strategy in 2012, the links have further been communicated and thus, confirmed its satisfying maturity level. At Domsjö Fabriker, the level remained on a satisfying stage from 2010 until 2016 as the majority of the projects display a clear relationship between social / societal engagement and the business itself with a clear focus on long-term benefits. (see appendix 3)

Environmental

Table 17: Environmental aspects and maturity level (adapted from Baumgartner & Ebner, 2010, p. 83)

<table>
<thead>
<tr>
<th>Maturity level 1: Beginning</th>
<th>Maturity level 2: Elementary</th>
<th>Maturity level 3: Satisfying</th>
<th>Maturity level 4: Sophisticated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental sustainability aspects</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resources (materials, energy)</td>
<td>ABG_2010 - 2011</td>
<td>ABG_2012 - 2016 DF_2010 - 2016</td>
<td></td>
</tr>
<tr>
<td>Emissions into the air, water or ground</td>
<td>ABG_2010 - 2011</td>
<td>ABG_2012 - 2016 DF_2010 - 2016</td>
<td>DF_2010 - 2011</td>
</tr>
<tr>
<td>Waste and hazardous waste</td>
<td>ABG_2010 - 2011</td>
<td>ABG_2012 - 2016 DF_2010 - 2016</td>
<td></td>
</tr>
</tbody>
</table>

In this dimension, we assess four different sustainability aspects. The first is the use of resources and energy. AB Grasim’s respective maturity level is elementary from 2010
until the implementation of the group’s sustainability strategy in 2012. After that, the level reaches a satisfying stage with the integration of sustainability aspects in resource use by linking it stronger to their business processes (see appendix 3). At Domsjö Fabriker, the use of resources, including energy, has been integrated on a higher level from 2010 on. The company shows a satisfying level throughout the years (see appendix 3). In the light of the sustainability strategy which increasingly affects the entire AB group, thus also AB Grasim and Domsjö Fabriker, this aspect is expected to evolve. This will result in the long-term strategy being in line with the individual sustainability aspects.

The second aspects considered in the environmental dimension are emissions, including air, water, and ground emissions. Grasim developed from a beginning in 2010 to a satisfying level from 2012 on (see appendix 3). Early on, the company complied to the respective rules and regulations, but didn’t define any specific emission reduction goals or objectives. With the hiring of a chief sustainability officer in 2012 and the outcome of his subsequent work, AB Grasim also sets objectives to decrease its environmental footprint, although still relative in nature (see section 5.1.1. and 5.3.1.) The Swedish company establishes in its first sustainability report specific and ambitious goals regarding emissions reduction (see section 5.3.2.), thus reaching a sophisticated level. In 2012, however, the year of the next report, the lack of quantitative and measurable goals shows the effect of the post-acquisition integration and the related assimilation of CS strategies. This also means, however, that, in this specific category, Domsjö Fabriker goes back to a satisfying level from 2012 to 2016. (see appendix 3)

Thirdly, regarding waste and hazardous waste management, AB Grasim is only on a beginning level between 2010 and 2012 (see appendix 3). The company complies to rules and regulations without specifying activities and goals for the reduction of waste (see section 5.1.1. and 5.3.1.) From 2012 on, in the context with the sustainability strategy, general reduction goals are defined and consequently, AB Grasim shows a satisfying level as the deployment of clean production technologies complements the defined objectives (Aditya Birla, 2017c; see appendix 3). Due to its specific closed-loop production technology, Domsjö in this specific category displays a low level of waste and defines objectives regarding its reduction in 2010. Therefore, the company’s actions can be considered as satisfying in this category (see appendix 3). In the following years, this position is strengthened through the deployment of continuous work regarding the improvement of emissions, which, however, are not specified and communicated. (see section 5.1.2. and 5.3.2.).

The fourth and last category addresses the companies’ consideration for environmental issues of the product. In other words, it looks at the life cycle impact of the products and the related improvements the companies undertake. Between 2010 and 2013, Grasim does not show any consideration regarding this issue and thus, is only at a beginning level (see appendix 3). With the further expansion into the pulp and fibre business and driven by Domsjö in this specific category’s high profile, the company develops to an elementary level in 2014. That year, it starts to assess the life cycle impact of certain products which is reflected in the extension of the sustainability’s scope (see section 5.1.1.; see appendix 3). Two years later, matching its publication of the first sustainability report, AB Grasim reaches a sophisticated level with the collaboration with business partners across the supply chain, including Domsjö Fabriker in this specific category (Birla Cellulose, 2016,
The latter showed a satisfying level in this category from 2010 until 2015 with the materiality and life cycle assessment of its products. In 2016, it also matches Grasim’s sophisticated level as it is included in the optimization approach of the group. (see appendix 3) This development reflects the stakeholder perspective on strategic CS as well as the AB group’s increasing impact on its value chain. By involving business partners, customers, suppliers and other stakeholders, AB Grasim and Domsjö Fabriker ensure their support regarding the common objective to improve the sustainability across all business operations. Since stakeholders have a substantial influence on a company’s activities (Freeman & Reed, 1983, p. 91), it is important to engage them to leverage the outcomes of the actions undertaken in the field of CS. In turn, this enhances the group’s sustainable profile, especially when considering that AB strategically acquires companies along its value chains, just as they acquired Domsjö Fabriker.

**Economic**

*Table 18: Economic aspects and maturity level (adapted from Baumgartner & Ebner, 2010, p. 82)*

<table>
<thead>
<tr>
<th>Economic sustainability aspects</th>
<th>Maturity level 1: Beginning</th>
<th>Maturity level 2: Elementary</th>
<th>Maturity level 3: Satisfying</th>
<th>Maturity level 4: Sophisticated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation &amp; Technology</td>
<td>ABG_2010 - 2012</td>
<td>ABG_2013 - 2016</td>
<td>DF_2010 - 2016</td>
<td></td>
</tr>
<tr>
<td>Collaboration</td>
<td>ABG_2010 - 2011</td>
<td>ABG_2012 - 2016</td>
<td>DF_2010 - 2016</td>
<td></td>
</tr>
<tr>
<td>Knowledge management</td>
<td>ABG_2010 - 2011</td>
<td>ABG_2012 - 2016</td>
<td>DF_2010 - 2016</td>
<td></td>
</tr>
<tr>
<td>Processes</td>
<td>ABG_2010 - 2011</td>
<td>ABG_2012 - 2016</td>
<td>DF_2010 - 2016</td>
<td></td>
</tr>
<tr>
<td>Purchase</td>
<td>ABG_2010 - 2011</td>
<td>ABG_2012 - 2013</td>
<td>ABG_2016</td>
<td></td>
</tr>
</tbody>
</table>

The last category discusses the economic dimension of CS. At first, the aspect of innovation and technology is considered. It refers to the sustainability-related effort in R&D activities and the use of cleaner production technologies to reduce the environmental impact (Baumgartner & Ebner, 2010, p. 79). At Grasim, the level in this section is elementary from 2010 until 2012 (see appendix 3). According to their reporting, efforts regarding the use of environmentally-friendly technologies and some respective R&D activities are undertaken. In 2013, the Fibre Research Center and in 2016, the Grasim Forest Research Institute started to integrate sustainability into their research. This exemplifies AB Grasim’s broader scope as well as its increased considerations regarding the interrelatedness of the three CS elements (see section 5.4.1.) In consequence, AB Grasim invests proactively in such projects and its maturity level reaches a satisfying stage (see appendix 3). Domsjö Fabriker already displays such efforts from 2010 on and always relates to new R&D and production projects not only in terms of finance but also sustainability. This can be related to Domsjö Fabriker’s broad sustainability which connects social, but especially environmental and economic issues (see section 5.1.2. and 5.4.2). As pointed out earlier, the sustainability’s scope has even broadened throughout the analyzed period. Therefore, the Swedish company’s level remains stable at satisfying (see appendix 3).
Next, we address the topic of collaboration. When considering Grasim’s external social activities, its collaboration with various stakeholders is highly efficient and well established. This is related to the company’s long history and practice in this part of the sustainability (see section 5.4.1.), which allowed them to accumulate important experience and capabilities. Even though this collaboration might be lacking in the environmental dimension in the beginning due to a lack of relevant capabilities, we chose to attribute an elementary level from 2010 until 2011 (see appendix 3). It is also clear, that the communication and inter-disciplinary work has improved to a satisfying stage, especially since 2012 and 2014 with the integration of stakeholder engagement in the company’s sustainability strategy and the life cycle assessment, respectively (see section 5.4.1.). Domsjö Fabriker has integrated an open dialogue and collaboration with important stakeholders early on and presents these activities already in their sustainability in 2010. Furthermore, Domsjö Fabriker is also part of a business cluster, in which strong cooperation is part of the daily activities (Domsjö Fabriker, 2011, p. xi). Therefore, the company reaches a satisfying level that year, which remains stable over time (see appendix 3). When we now connect AB Grasim’s development in collaboration, its capabilities in the external social element, and Domsjö Fabriker’s complementary, we can see that a knowledge transfer took place at two levels. The first one is between AB Grasim and Domsjö Fabriker, while the second level concerns the exchange internal to AB Grasim. This might imply that the experience and capabilities AB Grasim and the entire AB group generates through its acquisitions leverages resources within the company. This enables the access to and the deployment of unused potential and resources (Chen et al., 2012, p. 204; Khanna & Palepu, 1997, p. 41; Kogut & Zander, 2003, p. 516).

Sustainability-related knowledge management at Grasim displays the same characteristics as the collaboration. It reaches a highly satisfying level in the external social activities also regarding learning for further projects (see section 5.4.1.; see appendix 3), while its deployment in other areas is still lacking. In this case, we chose to categorize this area as elementary due to its severe drawbacks in the remaining CS dimensions, including the internal social. With the implementation of the sustainability strategy in 2012, it improves in all parts and the company collects best practices and knowledge from Domsjö Fabriker (see section 6.2.). This leads to a satisfying maturity level. At Domsjö Fabriker, the knowledge management is satisfying from the beginning of our analyzed period on. (see appendix 3) The interdisciplinary group and creation of the HSEQ department secures an information and best practice exchange across the different functions and shows a high commitment to sustainability and its integration in the business strategy (see section 5.4.1.).

The category processes relates to the definition of roles and responsibilities within the company, especially regarding sustainability as well as the systematic integration of CS into day-to-day activities (Baumgartner & Ebner, 2010, p. 79). As we have learned during the interviews, the roles at AB Grasim are, at least to external parties, not clearly defined and the organization, specifically regarding sustainability seems to be lacking structure (see section 5.4.1.). Nonetheless, since the establishment of the sustainability department in 2012, the maturity level of AB Grasim in this context developed. It increased from elementary, with a basic integration of relevant sustainability issues in processes, to a satisfying one with a higher regard for CS throughout the entire organization (see
When looking at Domjsö, CS has been integrated in business and support processes as it is reported already in 2011 (see section 5.4.2.). Furthermore, roles and responsibilities have been defined at that occasion and thus, Domsjö Fabriker reaches a sophisticated level in 2010 which remained at that level throughout the analyzed period (see appendix 3).

When it comes to purchasing, AB Grasim developed from an elementary level in 2010 to a satisfying level. This can be related to the establishment of the sustainability strategy in 2012 and the acquisition of businesses along the company’s value chain (see appendix 3). Here, Domsjö Fabriker has proven to represent a partner with a strong CS profile from which AB Grasim took over best practices (see section 6.2.). In consequence to the mutual learning of both companies, they developed to a sophisticated stage in purchasing with the implementation of voluntary frameworks and the increasing commitment to those, such as the FSC certificate for wood (see section 5.2.1.; see appendix 3).

The last aspect in the economic dimension is sustainability reporting. As mentioned before, AB Grasim included its social and environmental report in its annual report. Until 2012, the company missed to link the issues together on a strategic level, thus displaying an elementary level of maturity (see appendix 3). This means that a certain degree of communication regarding the most relevant CS aspects was established, however, not very developed. On the contrary, Domsjö Fabriker addressed CS issues on a wider range ever since its first sustainability report in 2010/11 and defined goals and objectives for improvements in this area (see section 5.3.2.). These actions correspond to a satisfying level (see appendix 3). In 2016, both companies show a development in their maturity level with the strategic stakeholder engagement of their common sustainability strategy taking effect. Consequently, more channels to efficiently communicate with and to stakeholders were established. Furthermore, the group has set ambitious objectives for their CS improvement, thus both companies reach a sophisticated level that year (see appendix 3). (see section 5.4.1.)
### 6.3.2. Types of Corporate Sustainability strategies

*Table 19: Type of CS strategy of AB Grasim and Domsjö Fabriker in 2010 and 2016: ABG 2010; DF 2010; ABG 2016; DF 2016 (Based on Baumgartner & Ebner, 2010, p. 86)*

<table>
<thead>
<tr>
<th></th>
<th>Maturity level 1: Beginning</th>
<th>Maturity level 2: Elementary</th>
<th>Maturity level 3: Satisfying</th>
<th>Maturity level 4: Sophisticated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal social sustainability aspects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate governance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health/Safety</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>External social sustainability aspects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethical behavior and</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>human rights</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate citizenship</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Environmental sustainability aspects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resources (material,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>energy)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emissions into the air</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>water or ground</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waste and hazardous</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>waste</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental issues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of the product</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Economic sustainability aspects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovation &amp; Technology</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collaboration</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowledge management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Processes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sustainability</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>reporting</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CS reflects the commitment to a long-term strategy whose actions are therefore designed to change business practices substantially through organizational learning, more precisely through double-loop learning (Argyris, 1990, p. 94; Argyris & Schön, 1996, p. 22). Since this is a time-consuming process, we chose to use the years of 2010 and 2016 in our comparative analysis given that the acquisition took place in 2011 and the integration of the group-wide sustainability strategy in 2012 (see appendix 7 for separate tables regarding maturity levels of CS strategies in 2010 and 2016).

According to Baumgartner & Ebner (2010, p. 85-86), Grasim displays in 2010 a conventional extroverted strategy with most of the aspects being elementary, some even on a beginning level (see appendix 3). The company’s strong engagement in external social activities communicates the image of a good corporate citizen among society and leads to good reputation in the market. This is reflected in the maturity level of this category which reaches the highest stage at Grasim in 2010. In line with the group’s vision, this sustainability strategy focuses on the external CSR activities while its engagement is lacking in other areas, thus accounting for a missing overarching strategic CS approach.
Domsjö Fabriker, on the other hand, shows in 2010 higher maturity levels and thus, follows a transformative extroverted strategy (Baumgartner & Ebner, 2010, p. 86). Baumgartner & Ebner (2010, p. 84) argue that a company following this strategy emphasizes social aspects of its CS strategy since “society reacts most sensitively to whether they are fulfilled or not” (Baumgartner & Ebner, 2010, p. 84). Even though Domsjö Fabriker mostly focuses on the environmental dimension, we are convinced that this aligns with the attention society and other stakeholders attribute to this issue. In the context of its dependence on natural resources and its strong impact on them, the company focuses on reducing its most prominent impact, i.e. the environmental issues, and thus, also contributes to the social well-being. This interrelationship can be illustrated by the incident with the legionella infections in a nearby village due to problems in the company’s effluent treatment. Here, an event in the environmental engagement clearly influenced the society and thus, we can argue that Domsjö Fabriker’s activities follow the line of thought presented by Baumgartner & Ebner (2010, p. 84).

In 2016, we see that both companies show similar maturity levels across the different CS aspects with most of them having developed to a higher stage. Both companies now follow a visionary strategy with the aim of becoming a leader in CS and continuously improving their sustainability engagement (Baumgartner & Ebner, 2010, p. 85). Interesting to emphasize here is the difference in goal-setting of the companies which reflects their difference in motivation. While Grasim uses external benchmarks to define its relative objectives (see section 5.3.1.), Domsjö Fabriker has always oriented its definition of CS goals towards internal measures. In the latter, the Swedish company also considered its own capabilities and resources to determine improvement potential (see section 5.3.2.). Consequently, Grasim’s strategy can be classified as conventional visionary which mirrors the company’s focus on market impact. Domsjö Fabriker’s CS strategy, on the other hand, is systemic visionary as it aims at increasing internal and external positive CS impacts through a constant internal improvement of its strategic CS (Baumgartner & Ebner, 2010, p. 86). When linking this to theory, we can say that, despite the overall strategic orientation which exists within the group, the companies seem to lack a high-level outcome related to their ambitious goals and objectives. In theory, however, the lack of strategic orientation is argued to be the reason for limited sustainability practice/outcome (Baumgartner & Rauter, 2017, p. 89). In our case, we can relate this lack to a difference in understanding of strategic CS as demonstrated by the internal and absolute versus the external and relative goal-orientation at Domsjö Fabriker and AB Grasim, respectively.

The table above shows a convergence of the strategies between 2010 and 2016 in most of the categories, which indicates an improvement for AB Grasim, and in some for Domsjö Fabriker as well. Thus, the analysis of data where we analyzed the years from 2010/11 until 2015/16, reveals that both companies have learned from each other and developed capabilities based on knowledge exchange and the sharing of best practices. As mentioned earlier, Domjsö has been set as lighthouse example for its CS engagement. In this context, AB Grasim has benefitted from the experience of this company regarding sustainability deployment and reporting throughout the analyzed period. Furthermore, the analysis also points to the fact that the integration of CS has been slow with a soft and collaborative approach. This fits the overall post-acquisition integration approach of AB and in general
EMNCs (Kale et al., 2009, p. 110). As presented in the theoretical framework (see section 3.2.2.), M&A deals in general display a high failure rate (McGrath, 2011, p. 13). Combining this with current findings regarding an increase in failure rates of CS integration (Kiron et al., 2013, p. 4), the soft integration approach seems to have overcome challenges which could have led to failure.

The above-mentioned changes are illustrated in the following figure. Before the acquisition, our analysis shows that the strategic CS at Grasim focused more on social matters than on environmental ones, while at Domsjö Fabriker, environmental were prioritized. This is shown through the different size of the respective ellipse, which indicates the focus level of AB Grasim and Domsjö Fabriker relative to each other. The economic element was, at both companies, considered to be linked to the two other categories in the sense that it represented a prerequisite for the activities in the social and environmental element. During the integration, the strategic CS of the two companies converged through the rapprochement and mutual influence on the constituent dimensions of CS. This led to an overall strengthening and harmonization of the strategic CS, which is shown with the top figure. In the environmental part, Domsjö Fabriker influenced the common CS the most, while in the social element, AB Grasim contributed strongly, shown by the different shading of the ellipses. This is in line with their initial focus and the convergence emphasizes the learning effects between the two companies. Overall, we can see that the strategic CS has evolved into one system throughout the integration and both companies are now striving towards a common aim as it is defined in the AB sustainability strategy.

Figure 4: Illustration of the development of strategic CS from 2010 to 2016
7. Conclusion
This final chapter presents a summary of our main findings to answer our research question. Furthermore, we highlight the study contributions and address the study limitations. In the end, we suggest areas for further research.

7.1. Main findings
This study explores the integration of CS in a post-acquisition context. Since the current research is lacking insights into this topic, specifically when it comes to cross-border acquisitions by EMNCs, this study aimed at shedding light at this highly relevant topic. Consequently, we conducted our research in the context of a single longitudinal case study capturing these circumstances.

Through the analysis of our findings, we showed that the integration has aligned the initial differences in conception and maturity levels of the CS strategies. Here, the soft integration approach, paired with double-loop learning, has proven to be an important factor. The convergence of the constituent dimensions, together with the establishment of the overall sustainability strategy, represent the basis of success for the overall CS integration process. This enabled a positive development in the strategic maturity of the two companies’ CS.

As the most powerful internal stakeholders, AB Grasim and the AB group have driven the integration through the establishment of a common sustainability strategy. This top management commitment ensures coherence and alignment of the CS strategy across the entire business group. To support this, stakeholder engagement is crucial. In this case, the establishment of stable, two-way communication channels allows a continuous exchange of CS-related best practices and knowledge across internal and external stakeholder groups. Despite this knowledge exchange being initiated in 2011, its significance increases over the years as AB group shows a growing commitment and acknowledgement regarding the strategic importance of CS. In this context, AB Grasim also displays a high consideration for the experience, and other sustainability resources present at Domsjö Fabriker. Therefore, those are leveraged to benefit the entire business group.

As discussed at several points, the implementation of a unifying sustainability strategy needs to cascade down into the individual businesses. There, the general strategy then needs to be adapted according to the differences in the business context, stakeholder expectations and resources. In the case at hand, AB group and AB Grasim secure this by allowing a high degree of organizational autonomy, yet establishing a common framework as guidance. Therefore, the EMNC establishes a common level of understanding, while providing Domsjö Fabriker with the necessary degree of flexibility to successfully integrate the overall framework into its strategy.

When we look at the maturity levels, we see that Domsjö Fabriker and AB Grasim have increased the maturity levels of their CS strategies, with the only exception of Domsjö Fabriker falling back in one environmental aspect. This includes emissions into air, water, and ground. This is noteworthy since it is an area where Domsjö Fabriker has developed a significant profile. Therefore, this development illustrates the argument that the
integration process potentially bears risks if not managed carefully. A negative development in the environmental profile might be harmful to the company’s business value and competitive advantage given the increasing stakeholder expectations and demands for an impeccable environmental footprint.

In addition, the common sustainability strategy implemented across both companies displays an extended conception, and thus, a larger comprehensiveness of CS. Our findings indicate that AB Grasim, however, has improved to a larger extent than Domsjö Fabriker which is illustrated in table 19 (see section 6.3.2.). This implies that Domsjö Fabriker, as target, adds value to the acquirer through the transfer of knowledge, best practices, and through complementary resources. Improving CS within a large business group potentially leverages the industry-wide commitment to sustainability as strategic CS represents a competitive advantage. Peer companies will realize this and thus, the improved CS at AB Group and AB Grasim could have an impact on a larger scale. Following this reasoning, Domsjö Fabriker has played an important role in influencing the industry positively.

Furthermore, the study revealed that the integration of strategic CS is a complex and time-consuming process and takes effect gradually. This can be illustrated considering that the alignment in scope and goal-orientation as well as the rapprochement in substitutability started in 2012, but takes effect in 2016. This reflects the depth of the changes necessary to create and deploy a strategic resource efficiently and effectively across a large business organization.

In relation to our analysis, we conclude that both companies, AB Grasim and Domsjö Fabriker, have a well-established foundation of CS commitment, which, for both companies, can be traced back to the 1940’s. The strong historical background also indicates the level of importance attributed to CS at Domsjö Fabriker and AB Grasim. Therefore, it is nearly self-evident that they aim for a continuous improvement of their strategic CS as they want to be associated with a high level of sustainability. Furthermore, both companies acknowledge the financial benefits of CS and continuously drive its strategic integration to better leverage the synergetic effects. Nevertheless, we like to point out that the integration of CS has increased after economic aspects and operational processes have been assimilated. This reflects the primary strategic reason of the companies for committing to CS, which is the economic, i.e. the financial aspect.

7.2. Contributions and socio-ethical implications
The longitudinal case study showed that the CS integration is a slow and complex process. To overcome potential conflicts emerging due to different conceptions of CS, the transfer of knowledge and a soft integration approach are crucial. Through these measures, the target’s acceptance and understanding regarding the necessity of consolidating CS strategies increases while the acquirer captures valuable information for these improvements. Therefore, the CS integration needs to be well-anchored among the management of both the acquirer and the target to generate a common understanding and approval for necessary changes.
As mentioned earlier, we showed that strategic CS can be considered as a valuable resource which impacts a company’s financials positively. In a post-acquisition integration, CS becomes increasingly prioritized when basic systems, such as financial reporting and technical processes, are coordinated. On the other hand, an improvement of CS doesn’t only bring financial, but also social and societal value.

Regarding societal value, our study indicates that the integration of strategic CS improves the CS strategies and thus, also the expected outcomes. This is made possible through the access of complementary resources and holds relevance for stakeholders at several levels. The reverse spillover effects that arise out of the double-loop learning from which the EMNC benefits, leverages its positive impact in its domestic market through an improvement of sustainability related activities. As mentioned in the previous section, this might lead to an industry-wide development towards a higher level of CS, which would then amplify the positive effects on society and the environment. Furthermore, the increased competitiveness of the EMNC impacts society as well, especially via its employees and adds on to the positive social development. The latter is especially important since EMNCs are often large business groups with a substantial influence on society.

When considering the positive influence on the developed market company, the benefits can be extended to this business environment as well. Usually, a change in ownership always requires adaptations which lead to alterations in the companies’ business networks. In this case, when we talk about improvements in strategic CS, we assume these changes to be positive through enhanced business relationships and better collaboration across the value chain. Besides, the access to larger resources might incite advancements in, for example, R&D partnerships or facilitate the access to new customers. Turning this around, however, these changes might also have negative effects. Long-term business partners might, for example, become redundant due to the parent company’s operations, for example in terms of an increased internal R&D capacity. To counteract the negative consequences, stakeholder engagement of internal and external groups is another crucial factor for a successful CS integration. It secures the business partners’ long-term support and involvement in the strategy.

When taking on a more theoretical perspective, it became clear through our research that the constituent dimensions are a general measure that need to be complemented with maturity levels to allow tracking changes in the CS strategy. The classification of sustainability into the broad typologies following out of the constituent dimensions, doesn’t allow a detailed analysis of CS. Thus, the evaluation of maturity levels is needed (see appendix 3). Therefore, tracking developments only by examining shifts in the constituent dimensions is too vague to base a well-founded analysis on. In addition to this, the constituent dimensions refer to the strategic CS, its conceptions and related objectives without addressing the topic of the respective strategy. Since the strategy, however, defines the path of a company to reach the specified objectives, it is important to consider the development in the CS strategy together with its constituent dimensions. Therefore, the complementary assessment of the maturity levels enables the creation of a complete image of strategic CS.
Overall, our research has contributed to an improved understanding of sustainability in a business context and has demonstrated the importance of addressing strategic CS in a post-M&A context. The benefits that can arise out of a successful CS integration, as shown in the case at hand, contribute to the transformation of business practices towards sustainable activities. Considering the current state of the climate change and the heightened global awareness on a social, political and economic level, companies need to leverage their resources to incorporate CS into their business strategy if they want to stay relevant in their market. This also means that society at large will benefit of companies’ progress in strategic CS since businesses reduce their impact on externalities and thus, contribute to an overall improvement in social and environmental domains.

7.3. Limitations and future research
When it comes to the limitations of our research, we point out that we only conducted the interviews with personnel from Domsjö Fabriker. This means that we have, compared to Domsjö Fabriker, limited insights into AB Grasim and the AB group in general. This imbalance of information might lead to difficulties when analyzing data and identifying reasons for the developments at AB Grasim. However, we conducted the analysis carefully and with respect to this fact as to limit potential drawbacks. The most important measure to overcome these problems was to select our interviewees regarding their potential to give insights about Domsjö Fabriker, AB Grasim and AB group. Thus, our interviewees confirmed the findings of our initial analysis conducted with the documentary data and added on to them.

Moreover, we only carried out a single longitudinal case study limited to an Indian and a Swedish company and as mentioned in the introduction, different business contexts endow companies with different resources. In turn, this determines their capabilities and behavior. Therefore, we acknowledge that the findings of our longitudinal case study, when applied to a different context, need to be adapted due to the difference in firm resources. Through the systematic analysis of CS for six years, however, we create a strong transparency regarding resources and capabilities of both companies. This allows an assimilation of our findings to companies displaying similar resources and going through a similar process

Taking the delimitation of our study as point of departure, we suggest the following topics for future research.

Firstly, the issue of national and organizational culture and its impact on the integration of strategic CS might be of interest to examine. Since culture is a defining factor for organizational behavior, it could offer additional insights into this topic. It could also support the identification of further levers for the success of the strategic CS integration. Since this study addresses the implementation of CS, changes within the company might occur. Therefore, insights into how to manage the sustainability integration from a change management point of view might complement the strategic perspective of this study.

As mentioned in the beginning, this study was conducted with companies of different size. Therefore, the consideration of organizational circumstances, such as company size and group level versus individual company level, might influence the integration of
strategic CS as well. In consequence, future research explore how strategic CS is influenced by organizational factors.

Taking on a different theoretical foundation may offer an interesting new angle on this topic as well. We chose to conduct the study under a RBV and stakeholder perspective. Research with, for example, an institutional view could bring in aspects such as differences in legislations and regulations as influencing factors of CS.

As the case at hand shows a success in the CS integration, another research would be to explore the failure of a CS integration. In relation to our tools, such a failure could be exemplified by lacking convergence of CS conceptions (see section 3.1.5.), displaying no development or negative development in maturity levels of CS (see section 3.1.5.) both on an individual and on an aggregated level.

In addition, a future study could also go one step further and examine the practical outcome and operational output of the strategic CS integration in different departments. This allows to assess the practicality of such an integration and generate practical insights regarding how to manage this complex process.

Finally, through our research, we saw that the integration of CS on a strategic level enhances the companies’ capabilities regarding the management of future challenges. This relates to the concept of resilience which addresses the company’s ability to withstand shocks through structural adaptations. Therefore, a future study might examine how the CS integration in a post-M&A context influences the companies’ resilience.
References


Baumgartner, R.J. & Ebner, D. Corporate Sustainability strategies: Sustainability profiles and maturity levels. *Sustainable Development, 18*(2), 76-89.


Documents regarding case companies


## Appendices

### Appendix 1 – Illustration of concepts and frameworks related to CS

<table>
<thead>
<tr>
<th>Theme</th>
<th>Content</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sustainable development</strong></td>
<td>“[It is a] development that meets the needs of the present without compromising the multidimensional ability of future generations to meet their own needs”</td>
<td>WECD, 1987</td>
</tr>
<tr>
<td></td>
<td>“meeting the needs of a firm’s direct and indirect stakeholders […], without compromising its ability to meet the needs of future stakeholders as well”</td>
<td>Dyllick &amp; Hockerts, 2002, p. 131</td>
</tr>
<tr>
<td><strong>Emerging concepts of CS</strong></td>
<td>CS has emerged as a sum of social, environmental and economic responsibility, as a mean to contribute to substantial sustainable development. CS is the long-term strategic perspective representing the goal, while the three dimensions of corporate responsibility are the means to achieve it.</td>
<td>Lo, 2010, p. 313</td>
</tr>
<tr>
<td></td>
<td>CS has become the strategic response to long-term business concerns. It is the simultaneous pursuit of environmental, social and economic elements and it constitutes the foundation for business success.</td>
<td>Kiron et al., 2015</td>
</tr>
<tr>
<td></td>
<td>The current concept of CS is overall very like CSR as they both aim for a sustainable future. The difference is that CS has an eco-centric worldview, and CSR an anthropocentric worldview</td>
<td>Montiel, 2008, p. 259</td>
</tr>
<tr>
<td><strong>Meaning of CS</strong></td>
<td>“Simply stated, business sustainability means enhancing corporations’ positive impacts and minimizing their negative effects on society and the environment while creating value for all stakeholders”.</td>
<td>Rezaee, 2016, p. 61</td>
</tr>
<tr>
<td></td>
<td>Corporate sustainability represents the integration of sustainable development in the business context and entails the social, environmental and economic pillar. The three pillars then interact and are interrelated</td>
<td>Ebner &amp; Baumgartner, 2006, p. 13</td>
</tr>
<tr>
<td><strong>CS Frameworks</strong></td>
<td>The five level Framework for Strategic Sustainable Development (FSSD) takes a holistic system-level approach to CS and is based on scientific knowledge about the global sustainability challenge. It represents a generic framework based on sustainable principles to support the translation of strategic sustainable development into operational practices.</td>
<td>Broman &amp; Robèrt, 2017, p. 18-19</td>
</tr>
<tr>
<td></td>
<td>The authors created a synthesized and holistic framework with the focus on sustainability performance and reporting. It includes economic, governance, social, ethical, environmental (EGSEE) dimensions.</td>
<td>Rezaee, 2016, p. 48-49</td>
</tr>
<tr>
<td></td>
<td>The authors present a multidimensional definition of CS through a framework that considers the context in which a company is embedded, but not on a system-level. The framework gives guidance for the development from a lower to a higher level of sustainability with focus on business activities.</td>
<td>Amini &amp; Bienstock, 2014, p. 17-18</td>
</tr>
</tbody>
</table>
The article presents a framework to support and guide the development of sustainable corporations. The framework helps to identify a range of sustainability issues linked to generic types of sustainability strategies and their maturity levels. 

**Strategic CS**

Strategic CS is based on sustainable development as defined by WECD (1987) and needs to be included in the overall strategic objectives as well as in operational processes and other organizational systems to generate substantial outcomes.

| The different conceptions of CS need to be understood in terms of their constituent dimensions: scope, substitutability, and goal-orientation. Different understandings will result in different typologies of CS and lead to different outcomes. The understanding of CS needs to be clarified and developed further to overcome potential confusions. | Lankoski, 2016, p. 856 |

Baumgartner & Ebner, 2010, p.76-77

Baumgartner & Rauter, 2017, p.89
Appendix 2 – Examples of coded documentary data

Business Schools:
Similarly, the GMiP – Global Manufacturing Leadership Programme, aimed at reinforcing our technical and manufacturing strength is paying a rich dividend. The Activa Brita Group is being increasingly viewed as the most aspirational place for manufacturing professionals in India.

Our focus on gender diversity and creating enabling policies and programmes to ensure that we provide a conducive, encouraging and an equitable place for women to thrive and excel is gaining momentum. We have launched ‘Spring Board’, the accelerated women’s leadership development programme, designed for high calibre women managers. Currently, we have more than 150 women positioned at middle management and senior management levels.

Greenways, our London based global business school, has aligned with the leading-global business schools, professors and consultants among others. Many of our best talent is also enrolled for short-term courses at these institutions. Such a cross-pollination and sharing of the insight enables us more with the times and are continuously learning.

Ranked No. 1 in the Nielsen Corporate Image Monitor
We are humbled that for the third year running our Group has been ranked No. 1 in the Nielsen Corporate Image Monitor 2014/16. We have emerged as ‘Best in Class’ across most of the pillars. This is a remarkable vote of confidence by the stakeholder constituency in our leadership teams. It is a testament to our Group brand, governance standards, transparency,

Sustainability Framework
The sustainability vision and framework has been developed at the Activa Brita Group level and cascaded down to different businesses and plants. The main components of the framework include a sustainability vision, policies and standards to be applied by group companies. The purpose of the ABI sustainability framework is to proactively build relationships with stakeholders, monitor performance against various standards, and drive results to ensure long-term sustainability of the organization. The framework is then by the ABI sustainability model which consists of three vehicles for sustainability growth: responsible ownership, stakeholder engagement and future proofing. Domči Fabriker has started to implement the framework into our business.

Sustainability Data Management
Aditya Brita is in the process of streamlining data management for continuous tracking of key disclosures. One module is configured for indicators around the Global Reporting Initiative (GRI) requirements and will capture all GRI indicators. This will help us monitor these indicators and later to push our sustainability report.

Domči Fabriker works systematically with sustainability data management through different management tools. We track all kind of incidents (health, safety, environment, social, labour or legal) so that remedial action can be taken. The tools assist us to conduct root-cause analysis and corrective preventive action.

F. About the Report
Reporting Principles, Boundary and Scope:
Domči Fabriker’s sustainability report follows the principles of stakeholder engagement, materiality, sustainability context and completeness. We have developed this sustainability report in line with the international standards of the Global Reporting Initiative (GRI), G4. – 3.3; reporting

The boundary and scope of this report includes the Domči Fabriker AB located in Domči Fabriker. Sweden for reasons of coverage within direct control and availability of data. This is our first step towards our core option report. Our intention is to create a complete core option report for 2021.

Figure 5: Coded page no. 7 of Grasim Industries Limited Annual report 2014/15

Figure 6: Coded page no. 10 of Domči Fabriker Sustainability report 2015/16
## Appendix 3 - Classification criteria for maturity level of CS strategy

<table>
<thead>
<tr>
<th>Internal social sustainability aspects</th>
<th>Maturity level 1: Beginning</th>
<th>Maturity level 2: Elementary</th>
<th>Maturity level 3: Satisfying</th>
<th>Maturity level 4: Sophisticated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate governance (CG)</strong></td>
<td>Focus on mandatory frameworks regarding CG</td>
<td>Focus on mandatory and voluntary frameworks regarding CG</td>
<td>Focus on mandatory and voluntary frameworks regarding CG; setting of further measures for transparency</td>
<td>Focus on mandatory and voluntary frameworks regarding CG; setting of further measures for transparency; proactive commitment regarding stronger rules</td>
</tr>
<tr>
<td><strong>Health/ Safety</strong></td>
<td>Respect of health / safety in legal scope; no active focus</td>
<td>Respect of health / safety in legal scope; related measures are set in case of dangerous situations; rather reactive than proactive deployment</td>
<td>Systematic planning of health and safety; deployment of most areas of the company; activities to avoid health and safety risks</td>
<td>Approach regarding health and safety supports organizational goals towards sustainability; systematic planning and deployment throughout the company; activities to avoid health and safety risks in the long-term together with continuous improvement</td>
</tr>
<tr>
<td><strong>Human resources development (HRD)</strong></td>
<td>No specific HRD measures related to sustainability</td>
<td>Certain HRD measures related to sustainability</td>
<td>Various HRD measures and programs related to sustainability; training of most employees in sustainability</td>
<td>Various HRD measures and programs related to sustainability; training of every employee in sustainability</td>
</tr>
</tbody>
</table>
### External social sustainability aspect

| Ethical behavior and human rights | Respect of human rights; no codes, guidelines or common corporate behavior | Respect of human rights; principal rules about how to behave | Corporate behavioral codes and guidelines throughout the entire organization | Corporate behavioral codes and guidelines throughout the entire organization, control and proactive improvement of these

| Corporate citizenship (CC) | No focus on CC | Initiation and support of certain CC projects; rare connections between CC and business are made | Systematic planning and conduction of CC (non-monetary and monetary); connections between CC and business mostly made | Systematic planning and conduction of CC (non-monetary and monetary); focus on long-term commitment; integration of most employees into process; connections between CC and business mostly made

### Environmental sustainability aspects

| Resources (materials, energy) | For the use of resources only economic and technical criteria are considered | For the use of resources, economic, technical and environmental and social criteria are considered; measurement of resource efficiency for business processes; goals for resource management are defined; sustainability principles are partly considered | For the use of resources, economic, technical and environmental and social criteria are considered; measurement of resource efficiency for some business processes | For the use of resources, a combination of economic, technical, environmental and social criteria are considered; measurement of resource efficiency for all business processes; long-term resource management aligned with sustainability principles

120
<table>
<thead>
<tr>
<th><strong>Economic sustainability aspects</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environmental issues of the product</strong></td>
<td></td>
</tr>
<tr>
<td>Conformity with laws and regulations regarding biodiversity</td>
<td>Conformity with laws and regulations regarding biodiversity; identification and consideration of most impacts on biodiversity</td>
</tr>
<tr>
<td><strong>Emissions into the air, water or ground</strong></td>
<td></td>
</tr>
<tr>
<td>Conformity with laws and regulations regarding emissions into air, water or ground; definition of reduction goals for major emissions</td>
<td>Conformity with laws and regulations regarding emissions into air, water or ground; definition of reduction goals for most emissions; use of cleaner production technologies</td>
</tr>
<tr>
<td><strong>Waste and hazardous waste</strong></td>
<td></td>
</tr>
<tr>
<td>Conformity with laws and regulations regarding (hazardous) waste</td>
<td>Conformity with laws and regulations regarding (hazardous) waste; definition of reduction goals for major emissions</td>
</tr>
<tr>
<td><strong>Innovation &amp; Technology</strong></td>
<td></td>
</tr>
<tr>
<td>Conformity with laws and regulations regarding technology</td>
<td>First effort in sustainability related R&amp;D; conformity with laws and regulations regarding technology; partial use of integrated environmental technology</td>
</tr>
<tr>
<td>Collaboration</td>
<td>Company is not an active partner in networks</td>
</tr>
<tr>
<td>Knowledge management (KM)</td>
<td>No systematic approach towards KM</td>
</tr>
<tr>
<td>Processes</td>
<td>No respect of sustainability issues in process definition</td>
</tr>
<tr>
<td>Purchase</td>
<td>No consideration of sustainability related purchase</td>
</tr>
<tr>
<td>Sustainability reporting</td>
<td>No consideration of sustainability in a sustainability or annual report</td>
</tr>
</tbody>
</table>
Appendix 4 - Illustration of M&A types

<table>
<thead>
<tr>
<th>Merger</th>
<th>Acquisition</th>
<th>Demerger</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies A and B merge to form the new company C</td>
<td>Company A acquires company B which is then integrated into A</td>
<td>Company D is divided into the two new companies A and B</td>
</tr>
</tbody>
</table>

Figure 7: Illustration of different M&A types (McGrath, 2011, p. 7-8)
# Appendix 5 – Interview guide

<table>
<thead>
<tr>
<th>Interviewer questions</th>
<th>Purpose / aim</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Introduction</strong></td>
<td></td>
</tr>
<tr>
<td>Thank you for your time</td>
<td></td>
</tr>
<tr>
<td>the researchers and the study</td>
<td>Informing participant</td>
</tr>
<tr>
<td>integration of CS after a cross-border acquisition; changes, development, challenges and improvement of CS in your company and on a group level</td>
<td></td>
</tr>
<tr>
<td>the interview procedure</td>
<td></td>
</tr>
<tr>
<td>around 40 minutes of interview; your insights, experience and reflection upon this topic; open communication; structure: personal background, understand CS, then investigating the changes and development</td>
<td></td>
</tr>
<tr>
<td><strong>Consent for</strong></td>
<td>Ensuring voluntary participation and receiving participant's informed consent</td>
</tr>
<tr>
<td>participation</td>
<td>Confirm anonymity, confidentiality and the interviewee's right not to answer any question</td>
</tr>
<tr>
<td>recording and making notes</td>
<td></td>
</tr>
<tr>
<td><strong>Usage of data</strong></td>
<td></td>
</tr>
<tr>
<td>data usage</td>
<td></td>
</tr>
<tr>
<td>the information will be kept anonymous in our report</td>
<td></td>
</tr>
<tr>
<td>we will not share the recording or notes to ensure confidentiality</td>
<td></td>
</tr>
<tr>
<td>right not to answer the questions</td>
<td></td>
</tr>
<tr>
<td><strong>Background</strong></td>
<td>Background information about the person for better understanding of information and context</td>
</tr>
<tr>
<td><strong>Personal information</strong></td>
<td></td>
</tr>
<tr>
<td>Have you worked abroad? If yes, where?</td>
<td></td>
</tr>
<tr>
<td>Have you worked at another company before? If yes, where? What was your position and responsibilities?</td>
<td></td>
</tr>
<tr>
<td><strong>Company</strong></td>
<td></td>
</tr>
<tr>
<td>What is your position in the company</td>
<td></td>
</tr>
<tr>
<td>What are your responsibilities?</td>
<td></td>
</tr>
<tr>
<td>How long have you worked in this company?</td>
<td></td>
</tr>
<tr>
<td>How has your job / responsibilities / activities changed since the acquisitions?</td>
<td></td>
</tr>
<tr>
<td>What are your touchpoints with the parent company? In which areas do you cooperate and how?</td>
<td></td>
</tr>
<tr>
<td>What were your previous positions and responsibilities in this company, if any?</td>
<td></td>
</tr>
<tr>
<td><strong>Corporate Sustainability - status quo</strong></td>
<td>Capturing the interviewee's understanding and conception of CS</td>
</tr>
<tr>
<td><strong>Aim</strong></td>
<td></td>
</tr>
<tr>
<td>Domsjö Fabriker's understanding and actions in CS right now</td>
<td></td>
</tr>
<tr>
<td><strong>General understanding</strong></td>
<td></td>
</tr>
<tr>
<td>How do you define Corporate Sustainability at Domsjö Fabriker?</td>
<td></td>
</tr>
<tr>
<td>What elements are included?</td>
<td></td>
</tr>
<tr>
<td>What are, according to you, the benefits and pitfalls?</td>
<td></td>
</tr>
<tr>
<td><strong>Experience</strong></td>
<td>Capturing the personal experience and the influence of CS on the organization and their work</td>
</tr>
<tr>
<td>What is your experience with CS?</td>
<td></td>
</tr>
<tr>
<td>What are your responsibilities in CS?</td>
<td></td>
</tr>
<tr>
<td>How does CS influence your work?</td>
<td></td>
</tr>
<tr>
<td><strong>Elements &amp; related actions</strong></td>
<td>Environmental and social element: What are the actions taken in the respective area?</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>---------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>How are the actions between the elements connected?</td>
</tr>
<tr>
<td><strong>Motivation &amp; Objective</strong></td>
<td>At what level are the elements implemented? (strategic, operational, etc.)</td>
</tr>
<tr>
<td></td>
<td>What is the role of Aditya Birla Group in CS?</td>
</tr>
<tr>
<td></td>
<td>What are the key frameworks and policies used?</td>
</tr>
<tr>
<td></td>
<td>Can you illustrate that with an example?</td>
</tr>
<tr>
<td></td>
<td>Why are CS actions undertaken in this company? In your department?</td>
</tr>
<tr>
<td></td>
<td>What is the objective / the expected outcome of CS and the actions undertaken?</td>
</tr>
<tr>
<td><strong>Internal and external stakeholders</strong></td>
<td>Who are the internal and external stakeholders? How do they influence CS?</td>
</tr>
<tr>
<td></td>
<td>How do your actions influence these stakeholders?</td>
</tr>
<tr>
<td><strong>Corporate Sustainability - development after acquisition</strong></td>
<td>Aim</td>
</tr>
<tr>
<td><strong>Development and change</strong></td>
<td>How has CS changed over time since the acquisition?</td>
</tr>
<tr>
<td></td>
<td>When did it start to change?</td>
</tr>
<tr>
<td></td>
<td>How do you evaluate the priority of CS in this post-acquisition period?</td>
</tr>
<tr>
<td></td>
<td>How have the actions in the environmental and social element developed?</td>
</tr>
<tr>
<td></td>
<td>How have the objectives of CS changed over time?</td>
</tr>
<tr>
<td></td>
<td>How is CS integrated in the new strategy(ies)?</td>
</tr>
<tr>
<td><strong>Learning</strong></td>
<td>How does Aditya Birla / Grasim influence your CS?</td>
</tr>
<tr>
<td></td>
<td>How do you influence the group's CS?</td>
</tr>
<tr>
<td></td>
<td>What have you adopted from Aditya Birla's CS actions?</td>
</tr>
<tr>
<td></td>
<td>What have you provided as input for the group's sustainability?</td>
</tr>
<tr>
<td><strong>Wrap-up</strong></td>
<td>Thank you for your time and your insights</td>
</tr>
<tr>
<td><strong>Following procedure</strong></td>
<td>Do you have any questions?</td>
</tr>
<tr>
<td></td>
<td>We will provide you with coded excerpts of the transcribed interview for approval before we will use it in our thesis</td>
</tr>
<tr>
<td></td>
<td>Would you like to receive an electronic copy of thesis?</td>
</tr>
</tbody>
</table>
## Appendix 6 – Scope of CS at Domsjö Fabriker and AB Grasim

<table>
<thead>
<tr>
<th>Social Issues</th>
<th>AB Grasim</th>
<th>Domsjö Fabriker</th>
<th>Examples of activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>External</strong></td>
<td>Raise the human development index of the county in which ABG operate, e.g. India’s HDI</td>
<td>education, infrastructure, healthcare, small business support</td>
<td>Important employer in the region, supporting regional development.</td>
</tr>
<tr>
<td></td>
<td>Stakeholder engagement</td>
<td>Stakeholder committee</td>
<td>Active stance against corruption (2010)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Trustee management</td>
<td>Legal compliance and support of union relationship</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Stakeholder relations</td>
</tr>
<tr>
<td><strong>Internal</strong></td>
<td>“attract, train, motivate, retain and empower the best professional talent” (Grasim Industries Limited, 2011, p. 19)</td>
<td>Own university Career development opportunities</td>
<td>Support gender equality and diversity</td>
</tr>
<tr>
<td></td>
<td>Hierarchy in social/ career opportunities</td>
<td>Separate measures and opportunities of shop floor / management Education directed to women</td>
<td>Workplace safety</td>
</tr>
<tr>
<td></td>
<td>Support gender equality and diversity</td>
<td>Health care, extra leaf</td>
<td>Skills development</td>
</tr>
<tr>
<td></td>
<td>Employee benefits</td>
<td></td>
<td>Employee wellbeing</td>
</tr>
</tbody>
</table>

### Environmental Issues

<table>
<thead>
<tr>
<th>Emissions</th>
<th>Awareness on a general level ambition to reduce CO2</th>
<th>continuous monitoring</th>
<th>Compliance above legislation</th>
<th>Technologies and processes to reduce emissions. E.g. closed-loop bleaching, water treatment, filter etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste treatment</td>
<td>Awareness and recycling</td>
<td>10% or waste recycled</td>
<td>High degree of recycling</td>
<td>Above 90% recycling of waste material</td>
</tr>
<tr>
<td>Innovation/ R&amp;D</td>
<td>Increased efficient utilization of raw material and variety of products</td>
<td>Increased efficient utilization of raw material and variety of products</td>
<td>Product development</td>
<td></td>
</tr>
<tr>
<td>Products/raw material</td>
<td>Water saving (2013/2014)</td>
<td>Reduction of water used in processes 34% FSC certified wood raw material</td>
<td>Eco-efficient products as substitutes for fossil oil based products</td>
<td>Traceability, 100% FSC certified wood raw material</td>
</tr>
<tr>
<td></td>
<td>Sustainable forestry (2016)</td>
<td></td>
<td>Sustainable forestry</td>
<td></td>
</tr>
<tr>
<td>Production processes</td>
<td>Increased efficiency</td>
<td></td>
<td>Reducing the need of raw material and energy use. Reduced emissions.</td>
<td></td>
</tr>
</tbody>
</table>

### Economic Issues

| Profitability and growth | Growth, increased efficiency and excellent customer value | High financial targets Expansion by acquisition with the value chain | Increased utilization and efficiency. Competitive and market leader. | Product development, increased utilization and efficient operations. |
Scope of report

<table>
<thead>
<tr>
<th>Guidelines</th>
<th>Implemented 2016</th>
<th>Implemented 2010 (GRI C+)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Content</td>
<td>Sustainability dimensions; <em>social, environmental, economic</em></td>
<td>All three included from 2012; initial lack of environmental dimension which remains weak.</td>
</tr>
<tr>
<td>Materiality analyze</td>
<td>Overall materiality assessment implemented 2016</td>
<td>Aggregated level and summarized in sustainability report. No specific measures.</td>
</tr>
</tbody>
</table>

Appendix 7 – Maturity levels of CS strategies: Domsjö Fabriker & AB Grasim

Table 20: Maturity level of CS strategy of AB Grasim and Domsjö Fabriker in 2010 (Based on Baumgartner & Ebner, p. 86)

<table>
<thead>
<tr>
<th>Maturity level 1: Beginning</th>
<th>Maturity level 2: Elementary</th>
<th>Maturity level 3: Satisfying</th>
<th>Maturity level 4: Sophisticated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal social sustainability aspects</td>
<td>ABG, DF</td>
<td>ABG, DF</td>
<td>ABG, DF</td>
</tr>
<tr>
<td>Corporate governance</td>
<td>ABG_2010</td>
<td>DF_2010</td>
<td></td>
</tr>
<tr>
<td>Health/ Safety</td>
<td>ABG_2010</td>
<td>DF_2010</td>
<td></td>
</tr>
<tr>
<td>Human resources development</td>
<td>ABG_2010</td>
<td>DF_2010</td>
<td></td>
</tr>
<tr>
<td>Ethical behavior and human rights</td>
<td>ABG_2010</td>
<td>DF_2010</td>
<td></td>
</tr>
<tr>
<td>Corporate citizenship</td>
<td>ABG_2010</td>
<td>DF_2010</td>
<td>ABG_2010 DF_2010</td>
</tr>
<tr>
<td>Environmental sustainability aspects</td>
<td>ABG_2010</td>
<td>DF_2010</td>
<td></td>
</tr>
<tr>
<td>Resources (materials, energy)</td>
<td>ABG_2010</td>
<td>DF_2010</td>
<td></td>
</tr>
<tr>
<td>Emissions into the air water or ground</td>
<td>ABG_2010</td>
<td>DF_2010</td>
<td></td>
</tr>
<tr>
<td>Waste and hazardous waste</td>
<td>ABG_2010</td>
<td>DF_2010</td>
<td></td>
</tr>
<tr>
<td>Environmental issues of the product</td>
<td>ABG_2010</td>
<td>DF_2010</td>
<td></td>
</tr>
<tr>
<td>Economic sustainability aspects</td>
<td>ABG, DF</td>
<td>ABG, DF</td>
<td>ABG, DF</td>
</tr>
<tr>
<td>Innovation &amp; Technology</td>
<td>ABG_2010</td>
<td>DF_2010</td>
<td></td>
</tr>
<tr>
<td>Collaboration</td>
<td>ABG_2010</td>
<td>DF_2010</td>
<td></td>
</tr>
<tr>
<td>Knowledge management</td>
<td>ABG_2010</td>
<td>DF_2010</td>
<td></td>
</tr>
<tr>
<td>Processes</td>
<td>ABG_2010</td>
<td>DF_2010</td>
<td></td>
</tr>
<tr>
<td>Purchase</td>
<td>ABG_2010</td>
<td>DF_2010</td>
<td></td>
</tr>
<tr>
<td>Sustainability reporting</td>
<td>ABG_2010</td>
<td>DF_2010</td>
<td></td>
</tr>
</tbody>
</table>
Table 21: Type of CS strategy of AB Grasim and Domsjö Fabriker in 2016 (Based on Baumgartner & Ehner, p. 86)

<table>
<thead>
<tr>
<th>Maturity level 1: Beginning</th>
<th>Maturity level 2: Elementary</th>
<th>Maturity level 3: Satisfying</th>
<th>Maturity level 4: Sophisticated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal social sustainability aspects</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate governance</td>
<td>ABG_2016</td>
<td>DF_2016</td>
<td></td>
</tr>
<tr>
<td>Health/ Safety</td>
<td>ABG_2016</td>
<td>DF_2016</td>
<td></td>
</tr>
<tr>
<td>Human resources development</td>
<td>ABG_2016</td>
<td>DF_2016</td>
<td></td>
</tr>
<tr>
<td>External social sustainability aspects</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethical behavior and human rights</td>
<td>ABG_2016</td>
<td>DF_2016</td>
<td></td>
</tr>
<tr>
<td>Corporate citizenship</td>
<td>ABG_2016</td>
<td>DF_2016</td>
<td></td>
</tr>
<tr>
<td>Environmental sustainability aspects</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resources (materials, energy)</td>
<td>ABG_2016</td>
<td>DF_2016</td>
<td></td>
</tr>
<tr>
<td>Emissions into the air, water or ground</td>
<td>ABG_2016</td>
<td>DF_2016</td>
<td></td>
</tr>
<tr>
<td>Waste and hazardous waste</td>
<td>ABG_2016</td>
<td>DF_2016</td>
<td></td>
</tr>
<tr>
<td>Environmental issues of the product</td>
<td>ABG_2016</td>
<td>DF_2016</td>
<td></td>
</tr>
<tr>
<td>Economic sustainability aspects</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovation &amp; Technology</td>
<td>ABG_2016</td>
<td>DF_2016</td>
<td></td>
</tr>
<tr>
<td>Collaboration</td>
<td>ABG_2016</td>
<td>DF_2016</td>
<td></td>
</tr>
<tr>
<td>Knowledge management</td>
<td>ABG_2016</td>
<td>DF_2016</td>
<td></td>
</tr>
<tr>
<td>Processes</td>
<td>ABG_2016</td>
<td>DF_2016</td>
<td></td>
</tr>
<tr>
<td>Purchase</td>
<td>ABG_2016</td>
<td>DF_2016</td>
<td></td>
</tr>
<tr>
<td>Sustainability reporting</td>
<td>ABG_2016</td>
<td>DF_2016</td>
<td></td>
</tr>
</tbody>
</table>