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SHAPING TOMORROW: BOARDS AND THEIR STRATEGIC CONTRIBUTIONS TO SUSTAINABILITY TRANSITION

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ABSTRACT

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Overreaching megatrends including the depletion of nature's resources and mounting well-being concerns coupled with recent events such as the ending of the covid-19 pandemic, rising inflation rates and escalating tensions in trade policies have placed increasing attention to corporate sustainability, corporate governance and policy making among scholars and practitioners.

Thus, this study aims to add to the existing literature by assessing and analysing the sustainability transition from the perspective of board members. Another objective is to shed light to the board members' expectations about the future of sustainable board work. Hence, the research seeks to delve into the perceived realities of individual board members regarding their experiences and views on the sustainability transition and ultimately answer the research question "how board members envision their involvement in and understanding about the sustainability transition?".

This study is conducted in the context of board work in Finnish SMEs and it employs a narrative research approach. Primary data was collected by interviewing eight board members representing various characteristics regarding age and experience. The collected data was analysed through a six-phase framework including but not limited to inductive coding, theme development and constructing the narratives.

The research yielded four distinct narratives. The storylines express how board members contribute to the sustainability transition through integrated organizational advancement, governance dynamics and business model innovation. Additionally, they indicate that board members embrace sustainability and perceive the sustainability transition largely through external factors among which are industry norms.

The findings highlight the role of boards and corporate governance in the sustainability transition, as the study found that boards continuously assume a more strategic role in organizations, compared with a supervising one. However, there is evidence that the call for the business case for corporate sustainability remains unanswered, as boards are grappling to find equilibrium among excellence in sustainability and economic viability. Thus, based on the findings it could be concluded that the current stage of the sustainability transition would lay between the take-off and acceleration phases of transition.

When looking into the future, board members underscore the importance of diversity within boards as the key element of sustainable board work. According to the findings, board members bring their personal values and experience to board work which then translates into organizational mission, vision and values. This, in turn, leads strategy creation.

Keywords: Corporate sustainability, Corporate governance, Board work, Transition management, Sustainability transition, Strategy

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1 INTRODUCTION

As societies, we have long experienced hazards concerning both social welfare and economic stability. Overarching megatrends for example, the depletion of nature's resources, mounting well-being concerns, struggle for democratic principles, race for digital supremacy and fractures in economic structures pose threats to the very systems upon which our future development and survival hinge (United Nations, 2020; Sitra, 2023). Moreover, the ending of the covid-19 pandemic, ongoing war in Ukraine, rising inflation rates and escalating tensions in trade policies has an effect on business and political landscape (The Chamber of Commerce, 2023).

Thus, the pressing necessity for effective governance among policymakers is widely acknowledged. Over the decades, the political landscape has largely evolved. Similarly, organizations are increasingly recognized for their pivotal role in addressing the complex and persistent challenges. While corporate sustainability initiatives have long been integrated into organizational strategies and operations, the current circumstances have placed a spotlight on the role of organizations, particularly their leadership.

The European Union has taken notable steps by passing several directives aimed at promoting sustainable development within organizations. However, with the sustainability transition proceeding at a new speed, the European Union introduced measures such as the Corporate Sustainability Reporting Directive (CSRD), Corporate Sustainability Due Diligence Directive (CS3D) and the European Green Deal to accelerate the process by generating regulatory pressure.

The CSRD requires large and listed companies to publish regular reports on the social and environmental risks they face and on how their activities impact people and the environment (European Commission, 2024a). In turn, the CS3D aims to foster sustainable and responsible corporate behaviour and to anchor human rights and environmental considerations in organization's operations and corporate governance. Additionally, the new rules will necessitate that organizations address the adverse impacts of their actions, including in their value chains inside and outside Europe. (European Commission,

2024b). The regulations currently concern large companies, however they offer a valuable framework for small and medium-sized enterprises (SME) to utilize as well (European Commission, 2024a; European Commission, 2024b).

Scholars are also embracing this broader definition of corporate sustainability (Carroll, 1999; Klein et al. 2021) and the concept of purpose driven organizations has surfaced along with the sustainability transition. In literature, purpose driven organizations are characterized as organizations which focus on finding a balance between excelling in sustainability and economic viability. (Klein et al., 2021). Moreover, recent studies by Siebold (2021) and De Silva et al. (2021) suggest that the development of corporate sustainability acts as a catalyst for driving business model innovation in boards towards finding this balance.

Inherently, the role of boards is to feature corporate governance. The key functions that boards are responsible for include protecting stakeholders interests, direct organizational operations, support decision-making processes, determine policies and make decisions on crucial organizational issues (Naciti, 2019). This significant association between boards and the sustainability performance of organizations highlights the central role of boards in the sustainability transition, as boards have the ability to determine if and how organizations execute (or fail to execute) the sustainability transition (Naciti, 2019; Siebold, 2021; De Silva et al., 2021).

Hence, the aim of this research is to gain a better understanding about the sustainability transition from the perspective of board members. By employing a narrative research approach in this study, I seek to delve into the perceived realities of individual board members regarding the sustainability transition, aiming for an in-depth understanding of their experiences, perspectives and future expectations. Another objective of this thesis is to shed light to the board members' expectations about the future of sustainable board work. This is of interest because management literature indicates that diversity, an increased number of directors and a dedicated sustainability committee would enhance decision-making effectiveness, foster good governance and promote sustainability within boards (Webb, 2004; Naciti 2019; Endrikat et al., 2021; Zaman et al., 2022).

The primary data for the study is collected through interviews with board members serving in Finnish SMEs. These semi-structured interviews allow participants the chance to discuss and contemplate their experiences concerning sustainability transitions in the business landscape. By combining elements from the past, present and future into their narratives, participants could articulate their viewpoints and add to the ongoing discourse on sustainability transition. Consequently, the aim is to gain insights from the interviews, identify recurring themes, interpret their significance within the broader context through data analysis and most importantly, address the research question “how board members envision their involvement in and understanding about the sustainability transition?”.

The main findings of this research are four narratives that encapsulate themes that emerged from the data analysis process: i) integrated organizational advancement ii) embracing sustainability iii) governance dynamics and iv) business model innovation. The findings suggest that board members contribute to the sustainability transition from within the organization by bringing their personal experience and values to the boardrooms. Such diverse perspectives then translate to organizational mission, vision and values, which in turn lead strategy work, with long-term strategies carrying more weight. Boards are also fostering more effective decision-making processes by co-creating with stakeholders. Moreover, the findings suggest that board members perceive the sustainability transition largely through industry norms and the regulatory context.

The narratives reflect the transformation within the business and political landscape towards fostering sounder and ethical organizational practices through board work. This evolution is evidenced across the insights obtained from the interviews, highlighting the importance of boards and corporate governance. However, the findings of the present study indicate that boards are grappling to find an equilibrium among excellence in sustainability and economic viability. Indicating that the call for the business case for corporate sustainability remains unanswered although the sustainability transition is progressing at a new speed.

Moreover, when assessing the findings of this study through Loorbach et al. (2010) phases of transition, it could be concluded that the current stage of the sustainability transition would be situated between take-off and acceleration. The findings suggest that the transition has moved beyond the predevelopment phase and is now characterized by

tangible changes indicative of the take-off phase due to board members active innovation in business models and sustainability efforts while also witnessing the implementation of new strategies on board work and corporate governance. However, these advancements are not widespread in the business landscape, highlighting the challenges faced by boards. Nonetheless, the findings suggest a progressing transition towards stabilization (Loorbach et al. 2010).

The thesis is organized into six parts, starting with an introduction that provides an overview of the theme and topic. It outlines the research problem and approach as well as briefly discusses the findings of this study. The second chapter reviews relevant literature on corporate sustainability, corporate governance, purpose driven organizations and transition management. At the end of that chapter, a conceptual framework is provided to summarize key insights. Moving on, the third chapter presents and justifies the methodology employed in this thesis, detailing the various stages of empirical research. The fourth chapter presents the research findings, four distinct narratives, derived from the data analysis process to effectively address the research question. The fifth part, the discussion chapter, presents a synthesized and categorized summary of the findings of the study. It also discusses the implications of these findings, acknowledges research limitations and provides suggestions for future research endeavours. Ultimately, the thesis ends in concluding remarks.

2 LITERATURE REVIEW

In this chapter academic literature is reviewed on the following topics: corporate sustainability, corporate governance, purpose driven organizations and transition management. These topics were selected due to their relevance to the research problem addressed in this thesis. Concluding the chapter, a conceptual framework is presented, summarizing key insights from the literature review. The framework is also used in the data analysis process later on.

2.1 Corporate sustainability

Numerous terms and definitions are found in both practical applications and academic literature concerning the realm of corporate sustainability. Among these terms, prominent ones include corporate social responsibility (CSR) and the environmental, social and governance (ESG) framework. The concept of corporate sustainability has gained momentum as governments, policymakers and organizations collaborate to address the environmental and social challenges we are currently facing (Schönherr et al., 2017).

While corporate sustainability is increasingly acknowledged, it is essential to note that this concept has a well-established presence in the management and strategy literature. In the following chapter, I undertake a chronological review of some relevant literature on corporate sustainability, spanning from the early 19th century and leading up to the current era. This chapter aims to offer a comprehensive perspective on how this concept has evolved within academic discourse. Furthermore, it is important to clarify that throughout this thesis, I will use the term “corporate sustainability” for the sake of simplicity, while recognizing the miscellaneous nature of the concept.

2.1.1 Conceptual background

A considerable amount of literature has been published about corporate sustainability. These studies date back to the early 19th century when the concept of sustainability was first introduced in management literature by scholars such as Barnard, Clark and Kreps

(Barnard 1938, Clark 1939 & Kreps, 1940). Collectively, these publications outline the critical role for effective leadership that considers also environmental issues. Thus, corporate sustainability has increasingly gained attention starting from the 1950s (Carroll, 1999). The concept of corporate sustainability evolved during the decades and new definitions were introduced in the growing body of literature during the late 20th century.

Accordingly, during the break of the millennium, theories about corporate sustainability started to emerge (Carroll, 1999 & Freeman, 2010). The pivotal early theories on corporate sustainability include the stakeholder theory, sustainable development and the triple bottom line (Freeman, 1984, World Commission on Environment and Development, 1987; Elkington, 1994). These texts all carry the same notion that an organization must take more than shareholders' claims into account in order to create value and survive in the ever-changing competitive environment.

Freeman (1984) argues for a stakeholder approach of an organization. By introducing the concept of stakeholders, the theory has had tremendous implications to both academic literature and practice. In the book *Strategic Management: A Stakeholder Approach* he offered to define stakeholders as anyone affected by or affecting an organization. Thus, according to the stakeholder theory, management should account for stakeholders' claims to survive its external threats and allow for reaping benefits from its external opportunities.

Moreover, the thought of stakeholders was additionally adapted by the World Commission on Environment and Development (WCED) (1987) when *Our Common Future*, also referred to as the *Brundtland report* was written. In the report, the WCED proposed the concept of sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (WCED, 1987, p. 8). The report advocated for a global approach on sustainability, highlighting the need for a universal framework that considers a broad range of stakeholders, including the future generations.

Furthermore, Elkington (1994) acknowledged the need for organizations to account for their success through the triple bottom line which includes also environmental and social dimensions in addition to the organization's economic performance. The author argues

that an organization could achieve competitive advantage by incorporating environmental and social metrics to the organizations' strategy by measuring performance also by these extents.

Together these publications provide important insights into the early development of corporate sustainability. Hence, the above cited literature demonstrates that during the early 2000s the field progressed from perceiving corporate sustainability as merely an environmental issue into a broader definition by incorporating societal issues as well, emphasizing the need for comprehensive stakeholder management and accounting for long-term goals to achieve sustainable development (Freeman, 1984, WCED, 1987; Elkington, 1994).

2.1.2 Business case for corporate sustainability

During the 2010s, the discussion on corporate sustainability shifted more towards the business end of the spectrum. Scholars in the field of strategy and management explored the relationship between corporate sustainability and firm performance, especially financial performance. Thus, the field was largely interested if and how organizations could benefit from engaging in sustainability activities, in other words making the business case for corporate sustainability. The growing prerequisite for legitimizing corporate sustainability considerably stems from the critique the concept had received. The notion of incorporating societal issues into firm strategy and thus allocating resources towards more than the core organizational operations, fights against the basic logic of capitalism; for the era of modern history, organizations have strived for creating shareholder value and to maximize their wealth. (Barnett, 2007, Weber, 2008, Eccles et al., 2014, Cheng et al., 2014; Ioannou & Serafeim, 2015).

A lot of the research on this topic might not apply broadly and a definitive answer to how corporate sustainability leads to value creation remains unanswered. However, social scientist have a consensus that the business case for social responsibility could be made, as there is empirical evidence demonstrating numerous tangible and intangible benefits that an organization could gain from corporate sustainability. Thus according to recent studies, there is not a doubt whether corporate sustainability leads to value added for

organizations in some shape or form (Barnett, 2007, Weber, 2008, Eccles et al., 2014, Cheng et al., 2014 & Ioannou & Serafeim, 2015).

In their studies Weber (2008), Ioannou and Serafeim (2015) found that organizations could improve their financial structure, mitigate risks, improve their brand and reputation as well as attract and retain customers and employees through engaging in corporate sustainability. Moreover, Weber (2008) found that organizations could gain also intangible benefits such as a secured licence to operate and improved access to capital. Thus, demonstrating that the intangible benefits could generate tangible, monetary benefits, over time (Weber, 2008; Eccles et al., 2014; Cheng et al., 2014).

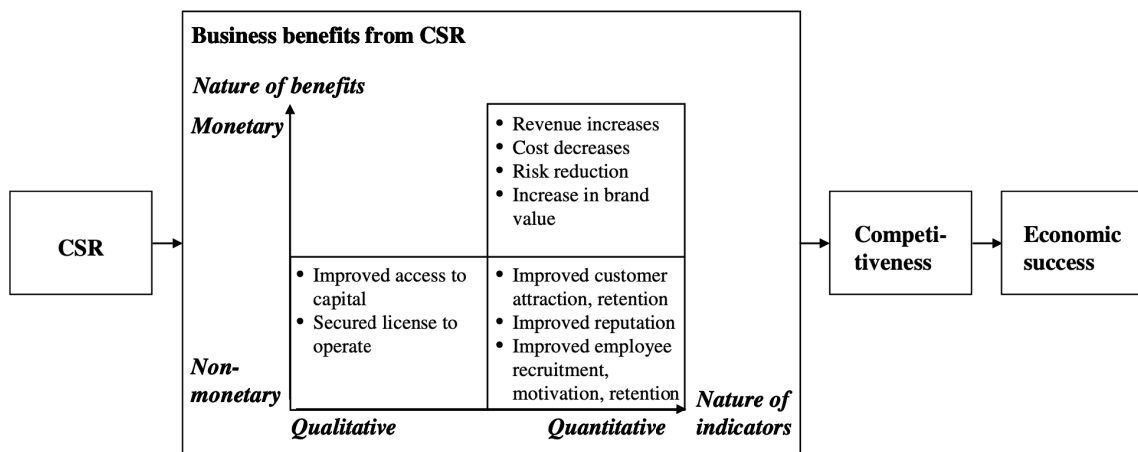


Figure 1 CSR impact model (Weber, 2008, p. 250)

Weber (2008) conferred such business benefits of corporate sustainability by the *corporate social responsibility (CSR) impact model* (Figure 1) presented in their paper, making the business case for corporate sustainability. The paper proposes that corporate sustainability allows for numerous business benefits, ultimately leading to competitiveness and economic success. In the same vein, other scholars have also adapted this view and support the notion that corporate sustainability sequentially leads to economic success (Barnett, 2007; Freeman, 2010; Eccles et al., 2014; Cheng et al., 2014 & Ioannou & Serafeim, 2015). However, Barnett (2007) specifies that corporate sustainability leads to financial gain for some organizations sometimes rather than comprehensively for all organizations, all the time.

Eccles et al. (2014) support the business case for corporate sustainability. The authors argue that organizations that have adapted and implemented sustainable organizational practices in the long run outperform their competition in the stock market and in accounting performance. Cheng et al. (2014) support this view by noting that participants in the financial markets are more willing to allocate scarce resources towards more sustainable organizations, demonstrating a shift in the markets.

Moreover, Eccles et al. (2014) found in their study that against analysts' predictions, sustainable companies performed better in the financial markets over the period of 20 years compared with unsustainable organizations. Similarly, Ioannou and Serafeim (2015) found that organizations with higher sustainability ratings received more pessimistic foresights regarding future financial performance, yet later they started to improve. Likewise, Cheng et al. (2014) hold the view that sustainable organizations have better access to capital. They argue that it is due on improved stakeholder management and transparency that is created through reporting the social and environmental performance of organizations. In other words, accounting and reporting beyond financial performance creates trust by mitigating asymmetrical information. Thus, the improved access to capital allows for the organization to undertake profitable investments which it otherwise could have left.

Overall, these studies support the before mentioned notion that the question is not whether sustainability could increase the financial performance of an organization, but rather under what conditions and why it could do so (Barnett, 2007; Weber, 2008; Eccles et al., 2014; Cheng et al., 2014; Ioannou & Serafeim, 2015). Ioannou and Serafeim (2015) offer to answer this on their paper, where they suggest that the prevailing institutional logic is weakening, whilst the stakeholder logic is gaining more legitimacy. The authors elaborate that by being stakeholder oriented, organizations implement corporate sustainability as an insurance policy to protect its relationship based intangible assets which are essential for corporate standing. Along the same lines, Eccles et al. (2014) subsequently argue that sustainable organizations demonstrate improved organizational processes, accounting practices and are more long-term oriented. Building legitimacy for corporate sustainability and institutionalizing it.

Collectively, these studies offer valuable perspectives on the ongoing discussion regarding whether organizations should extend their commitment to environmental and social responsibility beyond the legal and regulatory mandates. In other words, could an organization gain from corporate sustainability in one way or the other? (Weber 2008; Ioannou & Serafeim, 2015). The studies presented thus far provide evidence that the business case for corporate sustainability could be made and it could be seen above all as a good investment rather than as an agency problem (Barnett, 2007; Eccles et al., 2014; Cheng et al., 2014).

2.2 Corporate governance

Boards and corporate governance have a long-standing presence within the realm of strategy and management literature. Corporate governance holds a pivotal position in influencing corporate strategy and the decision-making processes (Naciti, 2019; Hoppman et al., 2019). Consequently, studies propose that corporate governance should be perceived not merely as an obligation or a cost factor but also as an opportunity (Shahin & Zairi, 2007; Endrikat et al., 2021). Hence this chapter will further explore the existing research about boards. Additionally, an overview of the literature related to the agency theory in corporate governance along with other relevant theoretical viewpoints is introduced. Most importantly, this chapter will examine the intricate relationship between corporate governance and corporate sustainability, highlighting the notion that corporate sustainability could be considered a by-product of effective board work and corporate governance (Jo & Harjoto, 2012).

2.2.1 Theoretical viewpoints on board work

In the field of literature dedicated to strategic management, the board plays a fundamental role within an organization's framework for corporate governance. It is typically acknowledged for performing three primary functions, which include control, service and networking (Johnson et al., 1996). The fundamental challenge within the domain of corporate governance stems from the market's inherent inability to effectively tackle issues arising from factors such as asymmetric information and principal agent conflicts.

This inherent limitation is commonly denoted as “market failure”. (Maher & Andersson, 2002).

Agency theory is frequently employed as a theoretical framework when examining the roles of boards. According to the agency theory, there is a misalignment of interests and objectives between the owners and the management of an organization. Furthermore, the management possesses superior information compared with the owners, leading to the emergence of the agency problem. Corporate governance practices are instrumental in reconciling the goals of owners and management, thereby prioritizing the actions of the management in the organization's best interest on behalf of the owners. This alignment takes on various forms, such as monitoring and compensation, thereby mitigating agency costs, as elucidated by Jensen and Meckling in 1976. Nevertheless, there are various theories that shed light on the functions of boards and their relationships with the shareholders and stakeholders of an organization (Cindric et al., 2023). Other pivotal theories are introduced below.

In conjunction with the agency theory, the resource dependence theory has found significant application in board related studies. Resource dependence theory posits that boards help organizations reduce environmental dependencies and acquire resources through their board members. These resources encompass valuable advice, information, access to crucial information channels, privileged resource access and legitimacy. Additionally, it is emphasized that merely increasing the number of board members is insufficient; there should be a match between a member's resources and the organization's needs. (Hillman et al., 2009).

The stewardship theory acknowledges the existence of an agency principal relationship arising from the separation between an organization's owners and managers. However, in contrast to the agency theory, the stewardship theory rejects the notion that management will act in its best interest without effective monitoring and accountability. Instead, the stewardship theory suggests that managers could meet their needs and avoid serving their own financial interests at the organization's expense by acting as stewards devoted to achieving the organization's goals. (Keay, 2017).

Lastly, institutional theory is grounded in the idea that institutions are socially constructed and shaped by external contexts. It posits that organizations are influenced by the social norms, cultural values and legal frameworks that surround them, namely the institutional context. Key concepts within institutional theory include isomorphism, which refers to the process of organizations homogenizing to adapt to environmental challenges and legitimacy, which pertains to an organization's ability to secure a licence to operate from its shareholders, stakeholders and society at large. Consequently, by successfully adapting to their environment, organizations could attain both legitimacy and valuable resources. (Cindric et al., 2023).

While the aforementioned theories present varying perspectives on corporate governance, they unanimously emphasize the central role of boards in advancing an organization's objectives and achievements. Additionally, scholars in the field of management have delineated two primary approaches to corporate governance: one known as the shareholder view, which represents the narrow perspective and the other as the stakeholder view, which embodies a broader outlook. (Maher & Andersson, 2002; Pinteau, 2015).

2.2.2 Shareholder and stakeholder view of an organization

The shareholder view on corporate governance dominates the traditional literature. It is built on the notion of the agency theory with the primary objective of maximizing shareholder value, a metric often assessed through market value. This model addresses the principal agent problem, which arises from the separation between ownership and control in an organization. Potential solutions to this issue include aligning interests through compensation structures, legal safeguards and indirect corporate control mechanisms. (Maher & Andersson, 2002; Ammann et al., 2011).

Thus, according to the shareholder view effective corporate governance plays a pivotal role in mitigating the agency problem within an organization, which has significant implications for firm value. There are two key ways where it impacts the organization: i) higher stock price multiples: good governance practices result in higher stock price multiples, which, in practical terms, could lead to profits being distributed to investors in the form of dividends and ii) reduced expected return on equity: effective governance

could also lower the expected return on equity, consequently reducing the costs associated with monitoring and auditing. This reduction in costs contributes to a lower overall cost of capital for the organization, ultimately benefiting the organizations' financial health. (Ammann et al., 2011).

However, more recent discussion among scholars and practitioners has shifted towards the stakeholder view of corporate governance which accounts for the claims of non-financial stakeholders (Zaman et al., 2022). Hence, alongside economic performance, organizational ethics and sustainability are gaining prominence for assessing organizational performance (Shahin & Zairi, 2007; Endrikat et al., 2021). Moreover, Amaeshi et al. (2013) bring attention to the emergence of “new” rules for corporate conduct, which encompass factors such as legitimacy, governance, equity, environmental responsibility, employment practices, public/private sector relationships and ethics. According to Zaman and colleagues (2022) this is due to the present complex and multifaceted challenges that organizations must address within the intricate context of today's wicked problems.

Ultimately, organizations are answerable to the broader society from which they derive their existence (Aras & Crowther, 2008); this accountability is further enforced by the market (Amaeshi et al., 2013) as increasing importance concerning stakeholder management is observed in the financial markets. This underscores the fact that investors are increasingly giving higher priority to how organizations interact with and oversee their stakeholders when shaping their investment decisions (Webb, 2004). Thus, investing in good environmental performance in the present is essentially an investment in the future of the organization. This investment is made through the establishment of organizational operations that enable future effectiveness and value creation. A strong connection exists between good financial performance and future environmental performance, with both contributing to overall well-being and increased welfare. (Aras & Crowther, 2008).

According to Pinteá (2015) the central objective of boards and corporate governance is to ensure sustainable growth within the context of globalization and the standards of sustainable development. In turn, Van Ees et al. (2009) highlight the importance of the boards' ability to enable cooperation among stakeholders and to gather and analyse

knowledge. This is also recognized by Hoppman et al. (2019), as they discuss on their paper that boards have the potential to assume a more proactive role in shaping organizational strategies by fostering connections between the organization and key external stakeholders as well as facilitating access to crucial resources such as capital, legitimacy and information.

Hoppman et al. (2019) elaborate that boards play a significant role in aiding organizations in adapting to changes in their external environment, including technological, political, economic and social shifts. They engage in strategy-related activities to facilitate this adaptation. Yet, despite their adaptive role, boards could also be perceived as sources of organizational inertia, which could potentially jeopardize an organization's financial performance. Thus, during periods of environmental discontinuities, boards may encounter conflicts of interest that have the potential to harm firm performance. Effectively managing these conflicts is crucial to ensure the organization's resilience and success.

Taken together, these studies support the notion that the shift towards emphasizing the stakeholder view of corporate governance is driven by changes in the political and business landscape, as organizations grapple with complex societal challenges also known as wicked problems (Endrikat et al., 2021; Zaman et al., 2022). This shift highlights the importance of considering the interests of a wide range of stakeholders, moving beyond a focus exclusively on shareholders (Shahin & Zairi, 2007). This transformation is not solely due to societal shifts but also influenced by market dynamics (Amaeshi et al., 2013). Evidence suggests that investors prefer sustainable and socially responsible organizations (Cheng et al. 2014). Consequently, corporate boards are assuming an increasingly significant role in shaping organizational strategies and fostering relationships with diverse stakeholders, underscoring the growing relevance of boards and corporate governance in contemporary business environments (Naciti, 2019).

2.2.3 Corporate governance and corporate sustainability

Zaman et al. (2022) suggest that the relationship between corporate governance and corporate sustainability could be assessed from two perspectives. The first view posits that corporate governance serves as the foundation for corporate sustainability. It explores

how various governance systems, structures and processes influence an organization's sustainability policies and practices. On the other hand, the second perspective views corporate sustainability as a tool for achieving effective and responsible governance. This view considers corporate sustainability as a means to promote sound organizational practices that enhance accountability and transparency, benefiting both shareholders and stakeholders.

In turn, Aras and Crowther (2008) on their paper discuss that both concepts (corporate governance and sustainability) together play a fundamental role in establishing continued operations and success of an organization. On their paper, the authors elaborate that boards and corporate governance yield significant influence over an organization's performance, market value and credibility; it functions as the means by which organizations could effectively pursue their organizational goals and strategies. Moreover, Amaeshi et al. (2013) highlight that such approach to corporate governance holds a central position in the sustainability movement, as it emphasizes the engagement, sustainability and accountability in the partnerships between organizations and stakeholders.

Thus, Aras and Crowther (2008) argue that stakeholders' concerns are justified by the impact of organizational activities on them and stakeholders exert increasing influence over organizations, similar to quasi owners. Yet, Pintea (2015) notes that organizations must remain cognizant of the repercussions their actions have on both shareholders and stakeholders. This necessitates a continual need to adapt business models, thought processes, attitudes and interactions with stakeholders.

Hence, the stakeholder model seeks to address the claims of various stakeholders, which could be a challenging task, particularly when these claims may conflict with broader organizational objectives. Maher and Andersson (2002) argue for a stakeholder model that recognizes the substantial influence that stakeholders exert on an organization's behaviour, performance and overall economic success. In order to address opportunistic behaviour and mitigate hold-up problems, the authors discuss that it proves beneficial for shareholders to consider the interests of stakeholders. This has led to a transformation in board work and corporate governance mechanisms, facilitating investments from a wide range of stakeholders.

Consequently, corporate sustainability is seen as an extension of an organization's efforts to foster effective corporate governance. This perspective underscores that corporate governance significantly has an effect on corporate sustainability, but not the other way around. However, corporate sustainability exerts a positive influence on an organization's financial performance and firm value, supporting the conflict resolution hypothesis derived from the stakeholder theory. This hypothesis posits that addressing stakeholder concerns ultimately benefit the organization. It contrasts with the over investment argument from the agency theory, where effective board work and corporate governance are primarily seen as driving financial performance. (Jo & Harjoto, 2012).

Alongside studying boards, their functioning and relationship with corporate sustainability, scholars have additionally focused on the characteristics and composition of presumed sustainable boards. This is of interests, as the characteristics and nature of boards have a direct impact on the overall performance of organizations (Endrikat et al. 2021). Thus, research has found that the characteristics of sustainable boards include a greater number of directors, a higher proportion of outsider directors, a more diverse membership, the presence of a dedicated corporate sustainability committee together with having the separation of chief executive officer and chairperson roles (Webb, 2004; Endrikat et al., 2021; Zaman et al., 2022). These effective board structures in socially responsible organizations play a pivotal role in addressing the agency problem and are centred on meeting the needs and interests of stakeholders (Webb, 2004).

However, the relationship between board characteristics and corporate sustainability is not in isolation and is influenced by other factors. Factors such as investor protection in different countries and gender parity serve as moderating factors in this relationship. Endrikat et al. (2021) found in their study that stronger shareholder protection weakens the positive effects of board size and board independence on corporate sustainability. In contrast, their discoveries show when there is more gender equality, having women on the board positively effects corporate sustainability. These effects are particularly pronounced in the social dimension of corporate sustainability when compared with others, such as the environmental dimension.

While corporate governance and corporate sustainability are closely related, they focus on different aspects of organizational functioning. Corporate governance is primarily

concerned with mandatory elements while corporate sustainability encompasses voluntary components. Nevertheless, they share common objectives, including risk reduction, defining an organization's interaction with its internal and external environment and serving as a condition for the sustainable growth of an organization. (Pintea, 2015).

2.3 Purpose driven organizations

Due to the stakeholder-oriented sustainability shift taking place in the business landscape, a new type of organization has emerged. In the academic literature, such organizations are referred to as social purpose organizations. Klein et al. (2021) offer to define the purpose-driven organizations as entities which “focuses on a social mission aiming to create social value while being economically viable” (p. 658). Furthermore, contemporary literature underscores the significance of business model innovation in regard to social purpose organizations. This innovation empowers organizations to transition from their current business models to more sustainable ones, fostering a greater sense of purpose (De Silva et al., 2021; Siebold, 2021; Klein et al., 2021).

As the notion of purpose-driven organizations is gaining increasing attention from both scholars and practitioners, Martela (2023) delves into the philosophical underpinnings surrounding the idea that an organization could possess a purpose while lacking the inherent capacity to experience the motivational pull of goals and purpose itself. From an ontological standpoint, the author claims that an organization lacks a distinct mind and consequently cannot embody an intrinsic organizational purpose. However, Martela (2023) proposes to describe the organizational mind as a “set of beliefs, desires and intentions attached to an organizational form” (p. 364), framing the concept of a corporate mind as metaphorical.

Hence, Martela (2023) discusses that the purpose of an organization is embedded in the collective beliefs held by individuals regarding that purpose. In this perspective, the materialization of purpose takes shape through the actions and discussions of individuals, making it a part of the reality. Furthermore, the author claims that individuals are more likely to be motivated by their personal beliefs regarding the purpose rather than the purpose itself, given a shared consensus on these beliefs. In essence, he posits that “a

purpose is best seen as an intersubjectively upheld postulate that is reified through organizational members and stakeholders believing in it and acting as if it were true” (p. 364).

Nonetheless, it is crucial to emphasize the significance of purpose-driven organizations and the pivotal role they play in the shift towards more sustainable business models. Consideration of these organizations is pivotal, given their ability to contribute substantially to the sustainability transition by promoting value-based operations and activities that prioritize sustainability. (De Silva et al., 2021).

According to Klein et al. (2021), it is crucial for a social purpose within organizations to encompass clearly defined objectives aimed at addressing social and environmental issues. In this context, purpose-driven organizations emerge as frontrunners in the sustainability transition, actively creating social value through innovative approaches (De Silva et al., 2021). This ability to generate social value is made possible by viewing sustainability challenges not as obstacles but as opportunities. Such organizations adeptly combine the logics of sustainability and economic health, as outlined by Siebold (2021). Hence, purpose-driven entities stand at the forefront of the sustainability transition, embodying a paradigm where social and environmental responsibility converges with economic viability.

De Silva et al. (2021) in their study articulate that a socially responsible organization's primary objective is to generate social value through a combination of market mechanisms and a defined mission. This goal is attainable through innovative practices coupled with business model innovation. The authors go on to dissect the primary functions that contribute to this value creation, categorizing them into four key areas: i) value proposition determining the type of value and its recipients, ii) value creation determining how the value is created, iii) value exchange determining the ways of delivering the created value to the stakeholders and iv) value capture determining how the organization retains a part of that value to itself.

Moreover, Siebold (2021) argues that business model innovation would hold the greatest potential for increasing the social impact of organizations by considering diverse stakeholder perspectives in the process. However, De Silva et al. (2021) point out that the

balancing of different logics, which comes with the social business models, is challenging and creates tension due to divergent institutional norms, conditions and resource requirements. Additionally, it creates a need for redefining how to measure success in a manner which considers both logics well. Hence, the role of boards cannot be overstated in the business model innovation process, as their experience and ability to sense opportunities acts as a key component (De Silva et al., 2021).

The importance of involving multiple stakeholders in the co-creation of social and economic value is emphasized in the recent literature (De Silva et al., 2021). Thus, the strategic choices in organizations balancing the mission of creating dual value include integrating stakeholders and transparency intentionally into the organization's strategy. Moreover, intentional stakeholder integration and transparency help mitigate the risk of a mission drift whilst enhancing legitimacy as mission drifts could be caused by inconsistent actions deviating from the stated mission. Thus, business model innovation and mission drift are related as strategic changes may present a drift from the initial mission. Yet, business model innovation is necessary for organizations to adapt to the changing environment. (Klein et al., 2021; De Silva et al., 2021; Siebold, 2021).

As stated, organizations must continuously adapt their operations and activities in order to remain aligned with the changing environment (De Silva et al., 2021; Siebold, 2021). Recent literature highlights the importance of business model innovation for socially responsible organizations, as they strive for creating economically viable social innovations (De Silva et al., 2021). In simple terms, a business model is defined as the "design or architecture of value creation, delivery and capture mechanism" (Klein et al., 2021, p. 655), emphasizing that business models are subjects to innovation.

Therefore, purpose-driven organizations actively engage in the pursuit of business model innovation, aiming to uncover and capitalize on emerging opportunities. This form of innovation involves creating novel approaches for the organization to both generate value for stakeholders and retain it for itself. Notably, this endeavour is resource-intensive, necessitating the development of new applications and knowledge configurations to create distinctive strategies aligned with the organization's purpose and objectives. (De Silva, 2021).

Crucially, the role of stakeholders gains prominence in this narrative, De Silva et al. (2021) asserting that the innovation required for dual mission business models could be facilitated through co-creation. While the innovation of business models presents both opportunities and challenges, opening avenues for new markets and addressing issues tied to existing models, the challenge lies in effectively balancing these dual logics while maintaining legitimacy and securing stakeholder approval (Klein et al., 2021).

In conclusion, the landscape of social purpose organizations is marked by a commitment to creating social value through innovative approaches, viewing social challenges as opportunities rather than obstacles (De Silva et al., 2021). These organizations blend social and economic logics, driven by a social mission with clearly defined objectives addressing pressing environmental and societal issues. The integration of market logics and the emphasis on social business model innovation serve as crucial mechanisms for achieving their dual mission of economic viability and social impact. (Siebold, 2021).

2.4 Transition management

A transformation in regard to sustainability is underway in the field of management and organizations, as indicated throughout the literature review. This transformative process is marked by a diminishing influence of the dominant institutional logic aligned with the shareholder model of agency theory (Zaman et al., 2022). Simultaneously, there is a growing acknowledgment and acceptance of the purpose-driven organizations, grounded in stakeholder theory (Klein et al., 2021). This transition is observed across scholarly works, among practitioners and within policymaking circles. Consequently, the move towards more sustainable business models calls for the attention of boards (Naciti, 2019).

A strand in the management and strategy literature addresses just that. Transition management studies focus on researching the leadership of structural system change. It emphasizes ambidextrous leadership integrating foresight and stakeholder collaboration with the aim to develop novel, more inclusive, organizational strategies and policies. (Loorbach et al., 2010). Moreover, transition management concentrates on the proactive role that organizations could adapt to foster more sustainable operations and thus eventually shape the business landscape, in other words, transition management provides

a systematic framework for conceptualizing transformative strategies. (Loorbach & Wijsman, 2013).

Loorbach and Wijsman (2013) discuss that the sustainability transition could be seen as inevitable rather than discretionary due to resource constraints, ecological thresholds and the evolving economic and demographic landscapes we are currently experiencing. Hence, the sustainability transition would bring along opportunities for innovation and sustainable economic growth by organizations initiating more sustainable business models. (Loorbach & Wijsman, 2013). However, Loorbach et al. (2010) note that sustainability issues are systematic challenges which require co-evolutionary changes in technology, economy, culture and organizational forms together with stakeholders.

Thus, there is a fundamental shift towards sustainable organizational strategies where economic profit is linked to creating social and ecological value (Loorbach & Wijsman, 2013; Klein et al., 2021; De Silva et al., 2021; Siebold 2021). Boards and corporate governance play a pivotal role in this shift, as it allows for aligning organizational decisions with sustainability principles and re-thinking business models (Loorbach & Wijsman, 2013; Amaeshi et al., 2013; De Silva et al., 2021). Furthermore, according to Loorbach and Wijsman (2013) there are four key governance activities in transition management: strategic envisioning, tactical networking, operational innovation and reflexive monitoring and evaluation.



Figure 2 Transition management cycle (Loorbach & Wijsman, 2013, p. 24)

The transition management cycle (Figure 2) illustrates four key activities in structuring and guiding the process of organizations innovating sustainable business models. Strategic envisioning includes boards framing the societal challenge that the organization aims to contribute towards. This strategic choice should include the aspects of the organizations' relationship towards the said problem and the anticipated impact on it, the society and the organization. When the challenge is visualized, the board should create coalitions with stakeholders to identify goals and objectives for addressing such challenge. However, it is noted that changes in this magnitude cannot materialize straightforwardly, but they should be experimentally developed. (Loorbach & Wijsman, 2013).

After the strategic vision and purpose are set and the board has built a meaningful network of resources assisting the organization to reach the goals and objectives, the board should experiment with new business models and practices through operational innovation. By experimenting various tangible operations the board could explore the possibility and profitability of the business model transition. Therefore, the overall process of transition management requires the ongoing reflection and evaluation of progress regarding the societal challenge being addressed. Hence, the objective of reflexive monitoring and evaluation is to create novel indicators on how to measure success in these extents to investigate whether the organization is progressing towards sustainability through these efforts. (Loorbach & Wijsman, 2013).

However, it is worthwhile to keep in mind that whilst transition management could be seen as a means to facilitate structural changes, they transpire over an extended period (Loorbach et al., 2010) as transitions are major, non-linear changes in societal cultures, structures and practices emerging from co-evolutionary processes including numerous factors, for example, institutional, technological, behavioural, ecological and economic ones (Loorbach & Wijsman, 2013). Thus, the literature on transition management has outlined the four phases of transition as predevelopment, take-off, acceleration and finally stabilization (Loorbach et al., 2010).

The phases of transition enable the analysis of causes and drivers for the transitions and assessment of the current stage of the societal system. In the first, predevelopment, stage the tension for a shift is building, but nothing tangible is yet materializing. During the

second, take-off, stage multiple developments materialize at once, causing a chaotic period. The chaos leads to radically new structures during the acceleration stage. Finally, during the last phase of stabilization, the process of change slows down and findings in a fundamentally different equilibrium, compared with the initial one. (Loorbach et al., 2010).

According to Loorbach and Wijsman (2013) success in the sustainability transition lies in reframing the social context, challenges and core operations through co-creating with stakeholders. By shifting strategies from reactive to proactive and prioritizing promoting sustainability over reducing unsustainable behaviour organizations become frontrunners (Loorbach et al., 2010). Such frontrunner organizations gain the privilege to create new markets, redesign organizational structures and principles and define new purposes, creating value for both organizations and society. (Loorbach & Wijsman, 2013).

In summary, the concept of leading structural system change within social systems, as outlined by Loorbach and colleagues (2010; 2013), encapsulates a transformative approach that requires ambidextrous leadership. This approach integrates foresight and broad stakeholder collaboration to develop novel, inclusive organizational strategies and policies. The proactive transformation advocated in this framework provides a systematic approach for conceptualizing transformative strategies, emphasizing the active pursuit of a transformative role by organizations to shape the market and their own operations toward sustainability.

The multi-level perspective of transition management, encompassing strategic, tactical and operational levels, aids organizations in understanding their purpose in larger societal systems. Collaboration between different actors is emphasized as vital for system change, with stakeholder networks enabling co-creation, self-organization and the development of new capabilities for sustainability. In essence, the comprehensive approach outlined by the cited authors provides a roadmap for organizations to navigate the complexities of systemic change, emphasizing collaboration, innovation and a fundamental shift toward sustainability in both organizational strategies and operations. (Loorbach et al., 2010; Loorbach & Wijsman, 2013).

2.5 Summary: conceptual framework

This literature review is largely focused on the central theme of this thesis: corporate sustainability from the viewpoint of boards and board work. The genesis of the concept of corporate sustainability could be traced back to the integration of environmental considerations into organizational strategy, evolving to encompass the broader dimensions of social and environmental well-being (Carroll, 1999; Klein et al., 2021). This conceptual evolution serves as a driving force behind the ongoing sustainability transition movement, prompting organizations to adapt their business models towards sustainability (Siebold, 2021). Hence, it is argued in the academic literature, that this could be achieved through affective corporate governance mechanisms, demonstrating the critical role of boards (De Silva et al., 2021).

There is a large and ever-growing body of literature published about corporate sustainability, driven by the imperative to address the complex challenges faced on a global scale. The traditional literature underscored the economic advantages associated with corporate sustainability (Elkington, 1994), a perspective that endures as a fundamental aspect still in the present (Weber, 2008). However, the focal point has shifted from regarding sustainability initiatives solely as survival strategies for organizations (Freeman, 2010) to a greater profound integration within the essence of organizations. This transformation involves establishing organizational purpose based on sustainable values, thereby catalysing business model innovation towards the development of more sustainable entities (Siebold, 2021).

Moreover, there are tangible and intangible benefits an organization could gain through corporate sustainability (Weber, 2008). The key benefit could be considered the possibility for organizations to uncover and capitalize on emerging opportunities identified through stakeholder co-creation (De Silva et al., 2021). Thus, alongside the possibility for social innovation, there is empirical evidence that the markets would react positively to sustainable organizations, allowing for increased access to capital through corporate sustainability. Hence, granting the boards to continuously invest towards sustainability initiatives. (Eccles et al., 2014; Cheng et al., 2014; De Silva et al., 2021). This additionally demonstrates the growing legitimacy of the stakeholder view of an

organization, promoting long-term oriented purpose-driven entities (Eccles et al., 2014; Ioannou & Serafeim, 2015; Siebold, 2021).

As corporate sustainability is closely tied to the leadership of organizations, scholars have examined the intrinsic relationship between corporate governance and corporate sustainability (Aras & Crowther, 2008; Amaeshi et al., 2013; Zaman et al., 2022). Much of the recent literature highlights boards and corporate governance as the heart of management (Hoppman et al., 2019), leading the organization through the business model innovation process to transform into more sustainable entities (De Silva et al., 2021). This transformative journey is facilitated by stakeholder co-creation (Aras & Crowther, 2008; Siebold, 2021), a process also referred to as transition management in the academic literature (Loorbach et al., 2010).

However, it is noted in scholarly discourse that diversity inside boards would promote sustainability (Webb, 2004; Naciti, 2019; Endrikat et al., 2021). A few characteristics that are emphasized include a greater number of directors, a higher proportion of outsider directors, a diverse membership, dedicated committee for sustainability and the separation of chief executive officer and chairperson roles (Webb, 2004; Endrikat et al., 2021; Zaman et al., 2022).

The studies presented thus far provide evidence that business model innovation towards sustainability creates opportunities for organizations (Klein et al., 2021, De Silva et al., 2021; Siebold, 2021). However, with opportunities come also challenges. A central challenge involves navigating the delicate equilibrium between the competing imperatives of economic profit and sustainability—a task incumbent upon purpose-driven organizations (Loorbach et al., 2010). This entails a meticulous evaluation, whilst maintaining legitimacy and a secured licence to operate gained from stakeholder approval (Weber, 2008; Klein et al., 2021).

Thus, as boards and corporate governance play a pivotal role in aligning organizational decisions with sustainability principles and re-thinking business models (Loorbach & Wijsman, 2013; Amaeshi et al., 2013; De Silva et al., 2021) Loorbach and Wijsman (2013) introduced the transition management cycle including strategic envisioning, tactical networking, operational innovation and reflexive monitoring and evaluation to

elucidate the central role of boards in the transition management process. The proactive transformation advocated in this framework provides a systematic approach for conceptualizing transformative strategies. It highlights the importance of organizations actively assuming a transformative role to influence both the market and their internal operations towards sustainability. (Loorbach & Wijsman, 2013).

In conclusion, literature is much published regarding corporate sustainability and corporate governance from various viewpoints and aspects. However, against the backdrop provided by this literature review one may suppose that there remains a research gap in the literature regarding the assessment of the current stage of the sustainability transition movement. In this thesis I aim to provide to the identified knowledge gap by examining the perceived reality of this transition process towards sustainability in the business landscape through the eyes of board members and to thus elaborate their experiences, thoughts and expectations of the future. Hence, in this thesis I aim to answer the research question “how board members envision their involvement in and understanding about the sustainability transition?”.

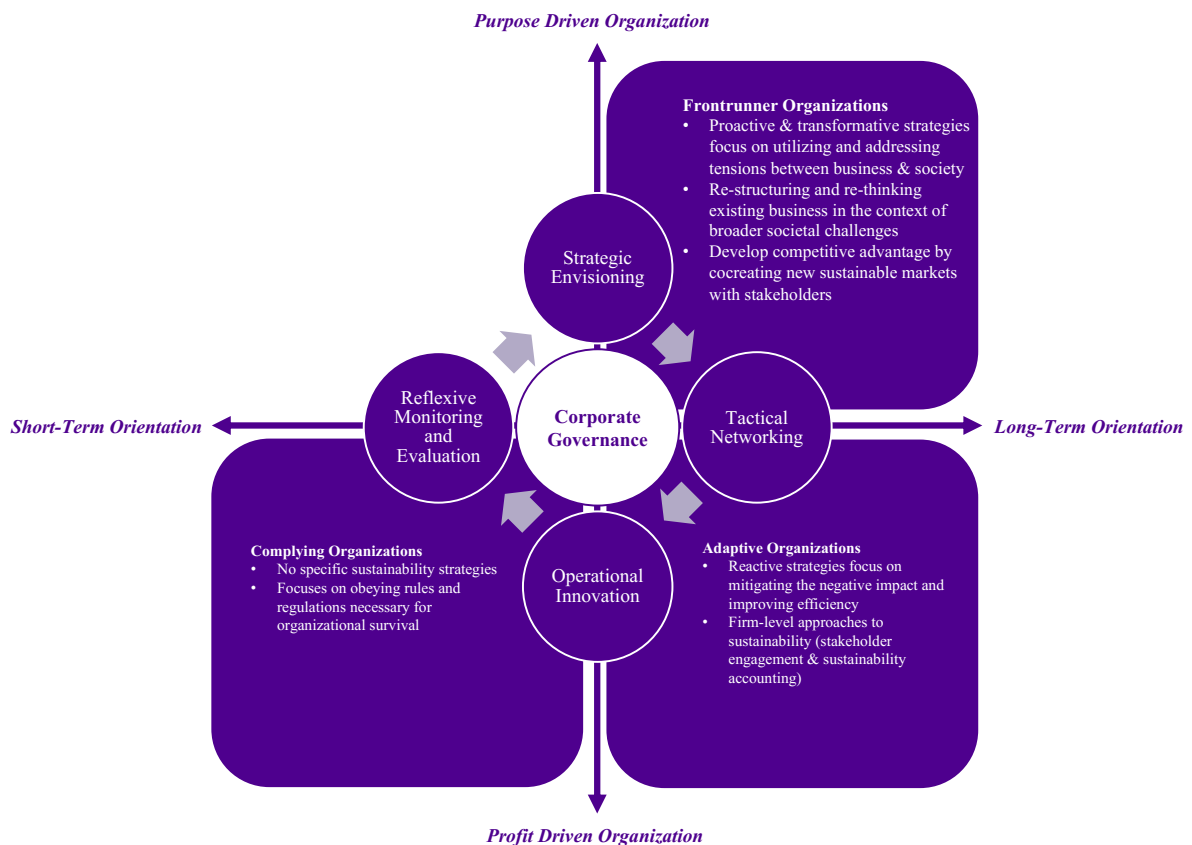


Figure 3 Conceptual framework

To address my research question, I have adapted a conceptual framework from the reviewed academic literature (Figure 3). By employing the framework in the study, I wish to conduct a meaningful analysis of the collected data and hence provide answers to the research question. The conceptual framework aims to highlight crucial elements for this research based on the existing literature, capturing the dimensions of the sustainability transition movement. In the multidimensional framework, the y-axis represents a spectrum ranging from purpose-driven organizations striving to create dual value (economic and social innovation) to organizations solely prioritizing economic profit (De Silva et al., 2021; Klein et al., 2021). On the x-axis, the framework sets out a range from short-term-focused to long-term-focused organizations, signifying their strategic goals and objectives (Loorbach et al., 2010; Eccles et al., 2014; Köhler et al., 2019).

At the intersection lies corporate governance, encircled by the transition management cycle. This positioning highlights how boards and corporate governance influence the various phases of transition management, from strategic envisioning to reflexive monitoring and evaluation, shaping board behaviour and strategic decisions. The cycle includes four pivotal stages:

- i. **Strategic envisioning** involves defining a societal challenge the organization intends to address, considering its relationship with the issue and its potential impacts on society and the organization.
- ii. **Tactical networking** includes forming coalitions and engaging with stakeholders to set goals.
- iii. With a clear direction and resources, organizations venture into **operational innovation**, experimenting with new business models to evaluate their viability and profitability.
- iv. Continuous reflection and evaluation through **reflexive monitoring and evaluation** devises indicators that track success and guide progress towards sustainability. (Loorbach & Wijsman, 2013).

Hence, based on the transition management process performed by the board, it could be determined where the organization falls in the sustainability transition movement. In other words, the organization could be considered as a frontrunner organization, adaptive organization or a complying one.

- **Frontrunner organizations** lead the sustainability transition, balancing economic and social logics. They pioneer transformative strategies, reconfiguring operations to resonate with broader societal objectives, gaining competitive advantage through stakeholder co-creation. (Loorbach et al., 2010; Hoppman et al., 2019; Klein et al., 2021).
- **Adaptive organizations** prioritize long-term economic gains while addressing negative environmental and social impacts. Their strategies often focus on improving efficiency, transparency, an engagement with key stakeholders and sustainability accounting. (Loorbach & Wisjam, 2013; Klein et al., 2021).
- **Complying organizations**, located in the bottom-left quadrant, adhere to sustainability regulations primarily for immediate organizational survival, prioritizing short-term profits without integrating sustainability into their core vision or strategy. (Maher & Anderson, 2002; Amaeshi et al., 2013; Klein et al., 2021).

In conclusion, the conceptual framework adapted from academic literature aims to provide a comprehensive lens for understanding the dimensions of the sustainability transition movement. By contrasting purpose-driven approaches against profit centred strategies on the y-axis and short-term orientations against long-term perspectives on the x-axis, this framework intends to offer a portrayal of organizational strategies and objectives. The pivotal role of boards, embedded within the transition management cycle, emphasizes its influence across various transition phases. Through this framework, I could discern an organization's stance on the sustainability landscape, distinguishing between frontrunners, adaptive entities and complying bodies. This differentiation underscores the multifaceted nature of sustainability initiatives and their implications for organizational governance and strategy.

3 METHODOLOGY

This chapter outlines the research approach and methodology, alongside discussions on the research context and ethics. Detailed explanations are provided about the processes of data collection and analysis. The research adopts a narrative method for addressing the research question “how board members envision their involvement in and understanding about the sustainability transition?” with the objective to understand the sustainability transition from the perspective of boards and board work.

3.1 Research approach

In this research, I opt in for a qualitative approach, a choice deemed appropriate given the thesis' aim to examine the sustainability transition from the viewpoint of boards and board work (Merriam & Tisdell, 2016). The objective of the study is to examine the contributions of board members to the sustainability transition movement and analyse their perceptions regarding such transition. Thus, the justification for selecting a qualitative approach lay in the intention to construct the narratives of sustainable boards and board work through the utilization of narrative research methods in both data collection and analysis processes. By conducting interviews and employing narrative methods, I aim to yield stories that capture the essence of sustainable board work. In other words, qualitative research methods are seen befitting the thesis as it allows for gaining a rich understanding about the sustainability transition within the context of boards and board work. Moreover, by focusing on the narratives of board members, I aim to create a more holistic view of the dynamics and complexities of the sustainability transition. (Andrews et al., 2008; Merriam & Tisdell, 2016).

Narrative research focuses on reporting narratives that are connected with the lived experiences of individuals and the meanings of such experiences through told or written stories. The narratives gathered in narrative research have a contextual focus. In this study, the contextual focus is in the sustainability transition experienced by board members. In other words, the focus is on the stories told about the sustainability transition by board members experiencing this phenomenon as it is occurring in the business

landscape. Moreover, narratives have the potential to also capture expectations in addition to the past and current experiences. This is beneficial, as one of the objectives of this thesis is to study what would be an ideal board in an ideal situation according to board members, thus what are their expectations of the future of sustainable board work. (Andrews et al., 2008).

Narratives are also important for making the sense of the dynamics that underlie institutional change, which is what the sustainability transition could inherently be seen as (Vaara & Pedersen, 2014). Hence, narrative sense making offers a way to explore the organizational complexity by examining how micro level experiences of individual board members connect to the broader context of the sustainability transition (Eppel & Rhodes, 2018; Castelnovo & Sorrentino, 2018; Haynes 2018).

Due to the gap in the literature regarding the assessment of the current stage of the sustainability transition movement from the viewpoint of boards and board work, it is important to understand the individual board members perceived reality about the sustainability transition in order to gain in-depth understanding about their experiences, thoughts and expectations of the future. Thus, by employing an inductive novel conceptualization approach to this study, the goal is to learn from these stories, see common themes and understand the meaning behind them to connect them to the broader context through the data analysis process (Andrews et al., 2008) and most importantly answer the research question “how board members envision their involvement in and understanding about the sustainability transition?”.

3.2 Research context

After introducing the topic of the thesis and reviewing relevant literature, it is important to emphasize the context of this research. The research centres on examining how board members envision their involvement in and understanding about the sustainability transition movement. The primary focus is on its manifestation within Finnish small and medium-sized enterprises (SMEs). Consequently, the criteria for selecting interview participants during the data collection process were guided by the unique attributes associated with board membership in Finnish SMEs.

The Chamber of Commerce biennially releases a corporate governance barometer focused on the boards of SMEs in Finland. The 2023 edition of the barometer serves as the cornerstone for this section, offering valuable insights into various aspects of board work. Consequently, it is considered a fitting source for providing a concise introduction to the landscape of board work in Finnish SMEs.

Finnish business landscape showcases diverse organizational structures, including entrepreneur owner run companies, family-owned enterprises, the subsidiaries of international organizations and public body-owned entities. In smaller enterprises, board work often assumes a formal role, focusing on legal obligations. However, as organizations surpass 50 employees, there is a noticeable shift towards leveraging the benefits of effective board work, a trend accentuated in enterprises with 250 or more employees. (Chamber of Commerce, 2023).

Larger organizations are more inclined to incorporate outsider members on their boards, unlocking various benefits such as facilitating the establishment of supportive committees. About two out of five SMEs follow this pattern, with outsider membership influenced by enterprise size. Smaller enterprises typically lack external members, while 84% of those with at least 250 employees benefit from external expertise. (Chamber of Commerce, 2023).

Board composition varies, with most having three to four members, influenced by organization size. Larger entities employ boards with at least six members, contrasting with smaller organizations that often have only one or two members on the board. In the Finnish context, larger boards are not perceived as effective. (Chamber of Commerce, 2023).

Gender diversity fluctuates, with SMEs having 29% of the board members women, compared with 37% in large, listed companies. The average age of SME board members is 53 and in smaller entrepreneur owner run companies, the CEO may also act as the board chair. However, over half of SMEs with 50 or more employees separate these roles. In boards with outsider members, the CEO is less likely to be part of the board. (Chamber of Commerce, 2023).

Board dynamics evaluation reveals a mix of satisfaction and concerns. On average, 60% express contentment with member investment, turnover, competence levels and diversity, but 41% worry about internal board competence for future challenges. (Chamber of Commerce, 2023).

Crucial expertise among board members includes business and corporate finance, supplemented by strategic work experience. While sustainability is considered important by over half of the boards, it ranks lower in priorities. Cooperation skills and commitment emerge as paramount personal attributes. (Chamber of Commerce, 2023).

Strategically, boards emphasize sales and marketing, with sustainability ranking second to last above mergers and acquisitions. However, recent global events prompt increased attention to risk management (up 40%) and strategy and operational development (up 36%) in SMEs, with both finance and sustainability gaining a 30% up tick. (Chamber of Commerce, 2023).

Corporate sustainability management sees an overall increase. Larger companies, especially with outsider members on the board, view sustainability as vital to strategy and decision-making (75%). Nearly 70% of all boards incorporate sustainability into their strategy, half into risk management and 30% report new business opportunities. Enterprise size influences sustainability contributions, with larger organizations leveraging expertise, while smaller companies express willingness but lack the necessary skills. (Chamber of Commerce, 2023).

A significant portion, approximately half, of SME boards do not receive distinct remuneration for their responsibilities. This trend is inherent in SMEs, where owner entrepreneurs commonly serve on the board. In such cases, offering a separate fee, in addition to dividends, appreciation and income, is typically deemed unnecessary. However, the dynamics shift when the board includes outside members, increasing the likelihood of a separate fee being extended for board service. Additionally, the presence of external members influences the magnitude of the remuneration provided. (Chamber of Commerce, 2023).

3.3 Ethical considerations

Ethical considerations play a crucial role in all types of research (Merriam & Tisdell, 2016). Upholding ethical integrity involves addressing various issues at different stages, from the initial steps before conducting the study to data collection, analysis and reporting of findings. This commitment ensures that the research process is conducted with fairness, respect and responsibility. (Creswell & Creswell, 2018).

The ethical issues occurring prior to conducting the study include examining member association standards, gaining permission from the site and participants, selecting a site without a vested interest in the outcome of the study and negotiating authorship for publication. (Creswell & Creswell, 2018). These issues were addressed in this thesis by examining the Finnish National Board on Research Integrity's (TENK) code of conduct for research integrity. These guidelines are applied throughout the research process. Moreover, the topic and nature of the research does not involve accessing a site and thus gaining access to research participants for the interviews is done by appropriate measures such as email or text messages sent during office hours not to cause any disruption to participants. I will additionally ask for a permission, in a written form, from the participants to publish the finalized thesis including their data.

At the beginning of the study ethical issues relate to the nature of the research problem, disclosing necessary information to participants, gaining their informed consent without pressuring them, respecting the norms and charters of the social setting and being sensitive to vulnerable populations (Merriam & Tisdell, 2016; Creswell & Creswell, 2018). In my thesis, I have been able to identify a research problem that is beneficial to the participants as well as the field of strategy and management. Moreover, participants are informed about the purpose of the study, the methods for collecting, handling and analysing their data. Additionally, I am committed to following social norms and rules attached to each situation. I shall be sensitive towards the participants, even though the pool of participants does not include children.

In order to remain ethical during the data collection process, I must respect the participants and disrupt their daily lives as little as possible, this is done by contacting

them through appropriate channels, during appropriate times and using polite language. I must also ensure that all participants in my study receive the same treatment from me as a researcher. Moreover, I must avoid deceiving the participants, collecting any harmful information and offer them all the possible information and a possibility to ask questions from me, as well as to give them the opportunity to opt out of the study on any given point in time, if they feel the need to. These issues were communicated to the participants at multiple times and in both written and oral communication during the research process. Furthermore, I must respect the power imbalance between me and the participant, I understand that they are experts in their field and hold special knowledge about the topic and theme of the research which could only be gained through practice. (Merriam & Tisdell, 2016; Creswell & Creswell, 2018).

In the data analysis phase, I should strive for neutrality, refraining from imposing personal views on the subject. Reporting the findings of the study faithfully is imperative, avoiding the selective presentation of data that aligns only with specific purposes. Maintaining integrity also involves avoiding any form of dishonesty or unethical behaviour to uphold the credibility of the study. Ethical considerations also apply to the reporting, sharing and storing the collected and analysed data. I must avoid falsifying any evidence or data, plagiarism and disclosing any information which would potentially harm the participants. (Creswell & Creswell, 2018).

Data Protection

The information collected through the interviews during the data collection process is considered as personal data, as it is related to an identified or identifiable person. Hence, collecting, analysing and reporting personal data must meet the requirements of the General Data Protection Regulation (GDPR) and the Finnish Data Protection Act (Data Protection Act 1050/2018). In this thesis, the data is collected only for specific and explicit purposes. The collected data is relevant and limited to the research question. Moreover, the data is processed and handled fairly and transparently, it is stored in the university cloud service and will only be available to the researcher, me. All the collected data will be deleted by the end of May 2026 at the latest.

3.4 Data collection

Gathering primary data in narrative research involves collecting stories, either told or written, that convey the lived experiences of individuals regarding a specific phenomenon. The predominant method for obtaining primary data in narrative research, as outlined in the methodology literature, is through experience centred narrative interviewing. This approach emphasizes the constructive aspects of narratives, particularly beneficial for social sciences and practical applications. (Andrews et al., 2008).

In this thesis, the primary data of the empirical study is acquired through interviews with individual board members representing various organizations from different industries. By employing semi-structured interviews, I utilize a predefined set of themes and questions, offering a framework for the interview process. However, the specific questions and their sequence may vary between interviews, allowing flexibility for unexpected insights to emerge (Creswell & Creswell, 2018). Moreover, the interview questions are characterized as open-ended to allow for the participants to reflect, make sense of the experiences, provide examples of where experiences took place and how they felt, acted or thought about the occurrence (Andrews et al., 2008; Merriam & Tisdell, 2016). The data from these interviews is captured through audio recordings and note-taking. The choice of semi-structured interviews is aligned with the methodology, the research objectives and the nature of the interview questions (refer to Appendix 1 for the list of interview questions).

Non-probability sampling in the form of purposeful sampling strategy was employed for selecting participants for the interviews. This strategy is deemed suitable for addressing issues related to exploring the unfolding of events, understanding their implications and uncovering the interconnected relationships between occurrences. Another justification for employing purposeful sampling is the aim to discover, understand and gain insights from board members about the sustainability transition. Thus, based on the research question and the objectives of the study, I must purposefully select the sample with the aim of maximizing the learning potential from the chosen (potential) participants. Therefore, I applied two criteria for the selection of participants. The first criterion

mandates that they possess substantial knowledge in management, strategy and board work, necessitating their membership on a board. The second criterion aligns with the concentration of the study on the sustainability transition phenomenon within the context of Finnish SMEs, requiring participants to hold a position on the board of a Finnish SME. (Merriam & Tisdell, 2016).

According to methodology literature, the researcher could negotiate access to the data source(s) via different strategies after the source(s) has been identified (Saunders, Lewis & Thornhill, 2009). Following this procedure, after identifying appropriate interviewees through purposeful sampling, I began to recruit participants for the study by contacting them by either email or text message, inviting them to participate in an interview. I sent out 25 invites to board members with different characteristics. However, not all who were invited provided me with a response nor wanted to participate. Hence, participants for the study were mainly identified and recruited through my personal network: two participants are my personal connections, four participants are a connection of someone in my personal network and two participants were referred to me by another participant. Altogether, this strategy yielded a total of eight interviews, which are considered as the primary data for this thesis, as it was collected solely for the purpose of this research (Wilson, 2014).

Table 1 Interviewee characteristics

Interview code	Board role/title	Years of experince on boardwork	Age
(1)	Board member	3 months	20-30
(2)	Board member	4 years	20-30
(3)	Board member	6 years	20-30
(4)	Chairman of the board	20 years	50-60
(5)	Chairman of the board, board member	8 years	30-40
(6)	Board member	33 years	60-70
(7)	Chairman of the board	10 years	30-40
(8)	Chairman of the board, board member	20 years	50-60

At the table above (Table 1), I have provided a depiction of the interview participants, highlighting key attributes important for this study, such as their board role/title, years of experience in board work and age. Nevertheless, the collected data is anonymized and reported in a summary format in later sections of this thesis. It is important to highlight

that the ethical guidelines detailed in Section 3.3 titled “Ethical Considerations” were strictly adhered to throughout the participant recruitment and data collection phases of this research. Participants were provided with an informed consent form (see Appendix 2) that addresses essential aspects like anonymity, confidentiality and the option to withdraw at any point.

All interviews took place in Finnish, as it is the native language of both me and the participants. Conducting the interviews in Finnish allowed for more dynamic discussions and thus I gained more enriched data, avoiding potential loss in translation that could have occurred if conducted in another language, such as English. Seven interviews took place through Microsoft Teams meetings. This platform was selected for its practical benefits. Utilizing Teams offered flexibility to participants regarding the scheduling and timing of the interviews and location of the interviewees. Additionally, Teams provides integrated capabilities for recording and transcribing sessions, streamlining the data collection process. It is worth noting that Microsoft Teams is part of the University's cloud service, ensuring an added level of data security, as none of the information gathered from the meetings was stored on my personal computer or physically printed. A total of one interview was held on-site, as requested by the participant. The on-site interview was conducted face to face and recorded by an audio recording device. The recording from this in person meeting was transcribed by utilizing Microsoft Word.

To ensure consistency, each interview adhered to the guidelines of semi-structured interviewing. The predefined interview questions (Appendix 1) served as the foundation for all discussions. While these questions were not pilot tested, they received approval from the thesis supervisor prior to any participant interactions. Moreover, I adjusted the sequence of the predetermined questions or asked additional, clarifying questions, as required. This approach aimed to elicit more nuanced and adaptable responses from the interviewees. The interview questions were intentionally crafted to be open-ended, aligning with the methodologies advocated by Andrews et al. (2008) and Merriam and Tisdell (2016). This design allowed participants the space to reflect, articulate their experiences, provide examples of specific situations and express their thoughts and feelings surrounding those occurrences. In essence, the objective of these interviews was to provide a platform for the interviewees, serving as board members, to share and reflect on their experiences related to the sustainability transition in the business landscape. This

involved connecting the past, present and future within their narratives, giving them the opportunity to articulate their perspectives and contribute their voices to the ongoing discourse.

Reflecting on the overall data collection process, it is essential to acknowledge my role as a researcher. My academic journey has equipped me with knowledge and expertise in business, management and strategy. However, it was during the literature review for this thesis that I delved deeper into the realms of boards and board work from this particular perspective. This newfound understanding influenced my approach during the interview process to some extent. Despite being aware of my own biases, I made a conscious effort to maintain openness to the interviewee's perspectives, thoughts and experiences. However, to ensure as rigorous and an unbiased approach as possible, I adhered to established research methods outlined by the cited methodology literature and sought guidance from my thesis supervisor. Moreover, issues regarding the validity, reliability and objectivity of the research and its findings are further discussed in later sections.

3.5 Data analysis

In the data analysis phase of this study, the primary data gathered undergoes a comprehensive examination using a narrative analysis method, a fitting approach for qualitative research as suggested by Andrews et al. (2008) and Merriam and Tisdell (2016). Narrative analysis, as employed in this study, involves the systematic summarization, categorization and interpretation of empirical data that describes occurrences, coincidences and events (Andrews et al., 2008).

Table 2 Data analysis process

Phase 1: Familiarize yourself with the data <ul style="list-style-type: none"> •Review the data and familiarize with the overall context and themes •Write down notes
Phase 2: Coding <ul style="list-style-type: none"> •Inductive coding •Systematically identifying and labelling significant phrases or sentences from the data
Phase 3: Categorize and theme development <ul style="list-style-type: none"> •Group related codes together to identify relationships •Identify themes
Phase 4: Review themes <ul style="list-style-type: none"> •Modify and develop the themes further
Phase 5: Storyline construction <ul style="list-style-type: none"> • Piece together coded segments to create coherent narratives based on the themes
Phase 6: Summarizing narratives

In this thesis, I employ a qualitative analysis method, drawing from thematic analysis and utilizing a six-phase framework based on appropriate methodology literature (Andrews et al., 2008; Creswell & Creswell 2018; Braun & Clarke, 2022). The framework, outlined in Table 2, guides the entire data analysis process—from familiarization with the data to constructing and summarizing the storylines. Through the analysis process, I organize and interpret participant responses, following the approach outlined by Andrews et al. (2008) to unveil underlying themes and patterns. Subsequently, I construct type stories capturing and conveying the prevalent narratives surrounding board sustainability transitions as expressed in the interview responses.

After familiarizing myself with the data, I progressed onto phase two of the analysis process: coding. By employing inductive coding, I was able to derive 43 codes from the data. During phase three, the codes were grouped together to create initial themes. Phase four in turn included reviewing and developing the themes further. In Appendix 3, the process of theme development from code groups to initial themes into narratives is presented.

Table 3 Final theme development

Developed themes grouped	Narratives
Holistic business advancement Strategic adaptation and efficiency gains Foundations of effective organizational excellence: integrating expertise, diversity and ethical leadership Innovative financial strategies Strategic industry engagement: navigating dynamics, culture and competitive positioning Implementation challenges: navigating barriers and resource constraints	Integrated organizational advancement
Integrated foundations of sustainability Sustainability transition: navigating stages, definitions and integration Pioneering sustainable excellence: integrating innovation, purpose and ethical leadership Contextual dynamics and significance attributions: shaping perspectives and interpretations	Embracing sustainability
Dynamic governance: nurturing leadership, expertise and sustainable growth Governance and strategic decision-making: aligning leadership, structure and implementation of sustainability Navigating regulatory realities: balancing compliance, stakeholder dynamics and decision challenges	Governance dynamics
Profit maximization dynamics: balancing financial performance, stakeholder impact and risk Corporate citizenship: environmental stewardship, social responsibility and community empowerment	Business model innovation

Thus, phase four included developing the themes into four final themes (Table 3) which are employed at phase five for storyline construction. The coded segments of data were pieced together to create the narratives through the lens of the emergent themes: integrated organizational advancement, embracing sustainability, governance dynamics and business model innovation. In the final phase of analysis, I summarized the narratives, particularly focusing on how those add to the research problem. The process involved highlighting commonalities and disparities among the narratives, thus providing a

comprehensive understanding of the diverse viewpoints expressed by the interviewees to answer the research question.

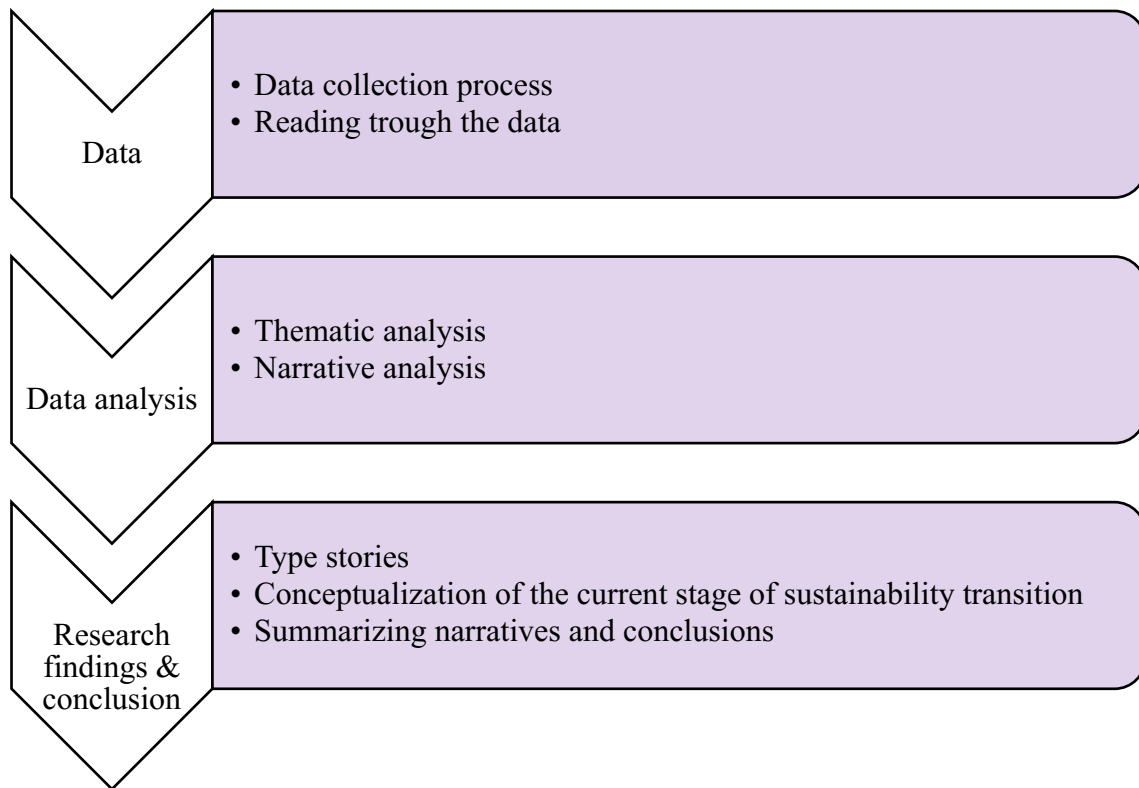


Figure 4 Summary of data collection and analysis processes

Figure 4 illustrates the comprehensive data collection and analysis process undertaken in this study, beginning with eight in-depth interviews with board members. The gathered data underwent transcription, followed by a thorough reading for content familiarization. The core of the analysis involved applying inductive novel conceptualization approach in order to unveil underlying themes and patterns within the data, resulting in the construction of four narratives that conceptualize the current stage of sustainability transition in the research context. Aiming to draw meaningful conclusions and implications from diverse perspectives, the final analytical step included the summarization of narratives. In conclusion, the analytical process evolved from initial content analysis to systematic inductive coding of transcriptions, leading to the formulation of four narratives based on different interviewee viewpoints.

4 RESEARCH FINDINGS

This chapter presents four narratives, findings, of this study which emerged from the data analysis process. The narratives are constructed based on all the interviews, simultaneously representing the views, thoughts and experiences of multiple participants. The storylines were constructed by piecing different parts of the data together and elaborating on the insights through creative storytelling. For the purpose of reporting the findings, names for the narratives were made up, they are not concerned with the participants of this study. Additionally, the quotes from the interviews are translated by the author from Finnish to English.

4.1 Type stories

4.1.1 Integrated organizational advancement

Alex, a seasoned board member, holds a strong belief that corporate sustainability originates from within the organization itself. In their perspective, the board plays a central and influential role in steering the organization through challenges, fostering a culture of excellence and embracing innovation. They envision a multi-faceted approach to achieving sustainability, emphasizing the critical involvement of the board in various aspects.

Alex underscores the importance of comprehensive risk-management practices as a foundational element. They see this as a key strategy to not only mitigate potential risks but also to unearth opportunities for responsible organizational development. In their view, developing the current business model and actively seeking operational efficiency are integral components of the sustainability transition.

Recognizing the need for a strategic approach, Alex advocates for the integration of sustainability into the decision-making processes of boards. This, they believe, will embed sustainability into the core fabric of the organization, ensuring that it becomes an intrinsic part of strategic planning.

Communication emerges as a crucial factor in Alex's vision. They emphasize the necessity of clearly communicating the organization's sustainability efforts to stakeholders. Transparency and open communication, in their opinion, foster trust and understanding between the organization and its stakeholders.

In addition to these fundamental pillars, Alex places a significant emphasis on embracing wide-ranging innovation. They see innovation as a driving force that not only propels the organization forward but also acts as a catalyst for sustainable practices. This, they

believe, involves staying ahead of industry norms, challenging conventional practices and demonstrating leadership through forward thinking initiatives.

However, Alex acknowledges that achieving sustainability requires more than just theoretical commitment. Meaningful and purpose-driven board work is essential for translating these principles into actionable strategies that permeate the entire organization. By aligning the efforts of the boards with the values of sustainability, Alex envisions a holistic approach that not only meets current challenges but also paves the way for a sustainable and responsible future for the organization.

Utilizing insights from all eight interviews, I crafted the integrated organizational advancement narrative. This narrative accentuates key pillars including risk management, operational efficiency, decision-making, strategic planning, organizational communication, innovation and long-term, sustainable board work. These pillars collectively form the foundation for cultivating organizational excellence from within.

By implementing comprehensive risk-management practices, the boards have discovered innovative avenues for evolving existing business models, with a focus on achieving overall sustainability. For instance, organizations have adjusted their products and services to align more closely with stakeholder expectations, simultaneously addressing risks stemming from both external and internal factors.

Efficient board work is paramount and the boards emphasize that sustainability initiatives should not only enhance efficiency but also contribute to sustainable development. Consequently, significant investments on a large scale are deemed necessary for the advancement of the sustainability transition. However, in the process of selecting projects for investment, organizations must maintain operational efficiency to meet short-term financial goals and ensure profitability. Board members acknowledge that while the sustainability transition is underway, it is a gradual process that cannot be fully realized in just a year or two, given the serious consideration required for financial factors within any organization.

Where to spend the money, so the importance of the board there. - - On the other hand, at the same time, you have to run a sensible business as well. (I3)

An insightful observation from numerous interviews underscores the crucial role of value chain management. Many interviewees emphasized the growing interest of stakeholders

in integrating sustainability not only into the organization's own operations but also throughout the entire value chain. Effectively managing the value chain, as highlighted by interviewees, enables the organization to enhance the handprint of its operations and work towards carbon neutrality—both vital sustainability initiatives. Additionally, it was noted that the current stage of the sustainability transition is pivotal, with organizations being categorized as winners or losers in the sustainability arena. This presents an opportunity for organizations to evolve into superior organizational citizens compared with their competitors.

*That the demands come from the stakeholders, you can't help but pay attention.
(I5)*

The interviewees expressed predominantly positive views toward change, emphasizing its integration into strategic planning and decision-making processes. The impact of the sustainability transition on boards is acknowledged, posing both challenges and opportunities. Challenges primarily revolve around decision-making for the organization's future direction while opportunities are portrayed as avenues for innovating new practices and core operations. Furthermore, sustainability is recognized as a factor that could create competitive advantage by ensuring the longevity of operations in the future. External factors influencing decision-making and strategic planning include stakeholder claims and financial considerations. Stakeholders, particularly those in the value chain and younger customers, are identified as advocates for sustainable practices. Simultaneously, financial factors and the demands of financial markets urge boards to reason how the organization's operations align with the interests of its financiers.

Regarding communication, sustainability is regarded as an integral component of an organization's reputation and brand. In addition to marketing and communication efforts, organizational communication is facilitated through sustainability reporting. The significance of publishing sustainability reports is emphasized, especially as regulations become more stringent. Furthermore, there is a unanimous agreement among interviewees that sustainability reporting should be clear and tailored towards key stakeholders. Consequently, communication is perceived as a strategic tool for conveying how organizations wish to portray themselves in the business landscape and articulate their message to the stakeholders.

For the time being, let's communicate about them in moderation, - - that we are rather able to stand behind them what is actually published and what is told. - - Yes, we could have practised huge green washing and ESG washing here, as many companies have done for many years, but we have not wanted to go for it. (I7)

Embedded industry norms provide the backdrop for the sustainability transition in highly established industries. The interviewees express a view that these norms could serve as obstacles to change. However, there is an acknowledgment that by championing the sustainability agenda and acting as a pioneering organization, the industry could undergo a comprehensive transformation, spearheaded by those setting the example. Consequently, sustainability must be a fundamental consideration in all the new creations and innovations undertaken by organizations. Indeed, interviewees believe that sustainability is embedded in their personal values, prompting some of them to establish new startup organizations built on sustainability and circularity. These ventures aim to drive the sustainability transition on multiple fronts. Importantly, innovation and pioneering work are perceived as the crucial elements of the sustainability transition, forming the foundation for a sustainable business landscape.

Establishing optimistic sustainability goals is crucial, as they compel boards to make decisions and drive transformative change. However, when delving into the sustainability transition, it becomes apparent that the requisite processes are resource-intensive and take time to fully materialize. This poses a challenge for boards as they endeavour to achieve goals while maintaining profitable operations and adhering to the realities of the prevailing landscape.

In my opinion, clear goals for what really, like a realistic goal, that is the most important and even in a certain way over optimistic goals, that if we set ourselves five years from now that we want to be carbon neutral, then if we set that goal, then in five years we will probably be much closer to reaching it. (I2)

One approach to overcoming this challenge, as outlined by one of the interviewees, involves following a three-step guideline for decision-making: adapt, modify and develop. “Adapting” entails adjusting to prevailing norms, “modify” involves aligning operations with more sustainable practices and “develop” refers to creating new business models that create competitive advantage. It is emphasized that the role of laws and regulations concerning sustainability is substantial, necessitating organizations to

implement the required approaches and assess how such strategies impact their existing business models.

Furthermore, an interviewee pointed out that when innovation is not mandated by regulation, it should be considered as the diffusion of innovations. Another key aspect highlighted by the interviewees is the advocacy for sustainability and strategic work among board members, emphasizing the need for these to be seamlessly integrated through strategic board work. Moreover, it is underscored as crucial that sustainability initiatives are deeply embedded in the entire organizational framework. The interviewees stress that sustainability is an integral part of attracting and retaining employees, as many wish to perceive their work as meaningful on a larger scale, contributing to a sense of purpose.

In essence, values emerge as the guiding force propelling boards toward the adoption of long-term-oriented strategies in sustainable board work. Boards comprehend the pivotal role of organizations in influencing society and aspire to be positive contributors and frontrunners, setting an example for others to follow. Furthermore, sustainability is viewed as inevitability in the future. Consequently, organizations that invest in sustainability now have the potential to evolve into frontrunners, gaining a competitive advantage over others. Thus, the influence of sustainability on the entire organization is perceived as formidable and its role is deemed too significant to be overlooked.

4.1.2 Embracing sustainability

Taylor, a seasoned board member, perceives the sustainability transition as a delicate balance of navigating diverse dynamics, contextual nuances and seamlessly integrating sustainability into board work. They ground their understanding about the sustainability transition within the broader context of the regulatory and business landscape, along with prevailing industry norms.

Advocating for a comprehensive sustainability approach, Taylor emphasizes the need to embed sustainability in the organization's values. To them, it is about more than just meeting basic requirements; it is about fostering a culture where sustainability becomes second nature to the organization. This, they believe, is fundamental to creating a lasting impact in the transition towards a sustainable era.

However, Taylor is not blind to the challenges that come with this transformative journey. Recognizing the complexities, they underscore the necessity for effective strategy work.

The transition, they note, requires a careful blend of addressing challenges and seizing opportunities, demanding a strategic approach that encompasses the broader spectrum of sustainability.

In Taylor's perspective, the weight of sustainability initiatives should be evenly distributed, with a primary focus on environmental aspects and societal impact. This, they argue, is the key to achieving a comprehensive view of sustainability. For them, commitment plays a crucial role in this, emphasizing that sustainability should be inherently ingrained in the organizational ethos.

Taylor calls for organizations to leave a positive handprint in the world through their actions. This concept goes beyond mitigating negative impacts; it encourages actively contributing to environmental and societal well-being. In their holistic approach, Taylor envisions a future where sustainability is not just a box to tick but a fundamental driver of organizational excellence, echoing through every decision made at the board level.

Drawing upon the collective insights gathered from all eight interviews, I crafted the narrative on sustainability transition. This comprehensive storyline encapsulates the diverse perspectives, thoughts, experiences and expectations shared by the interviewees regarding the sustainability transition. Furthermore, it elucidates the interviewees' reflections on the intricate interplay between board work and the integration of sustainability into the organizational framework.

The conducted interviews shed light on various features of sustainability, with a dual emphasis on environmental and social considerations. Regarding environmental efforts, interviewees stress the importance of achieving carbon neutrality, raising awareness about emissions and safeguarding biodiversity. Conversely, in terms of social impact, the respondents highlight concerns regarding human rights and equality.

Across the boards, members advocate for a comprehensive sustainability approach, urging for its integration into organizational strategy and core values. Many express a personal commitment to sustainability, aiming to translate this ethos into effective board work and governance. This transition towards sustainability is framed as a move towards a future that prioritizes resource preservation for generations to come, extending beyond environmental and social responsibilities to encompass sustainable board work and governance.

It has been my own background and interest, a certain vision about the future. (I6)

External factors such as regulatory pressures and stakeholder expectations shape decision-making processes. Regulatory requirements serve as a foundation for sustainability practices while stakeholder demands drive further development. Notably, stakeholders, particularly in the domestic context, are identified as primary drivers of sustainability initiatives, highlighting the importance of circumstantial -specific approaches.

Organizations are encouraged to take on frontrunner roles in sustainability, crafting comprehensive strategies underpinned by the board direction. Setting and monitoring strategic goals are integral to this process, with periodic reflections prompting adjustments to the approach, adding to continuous development.

The board integrates sustainability as part of the organization's strategy and the measures related to this, then we develop a strategy and put clear sustainability goals in it and thus ensure that it goes together with our business. (I2)

Decision-making plays a crucial role in prioritizing sustainability initiatives, considering resource constraints and potential societal impacts. Collaboration with other companies and stakeholders is deemed essential for successful implementation, surpassing mere compliance with regulations to address broader contextual concerns. The ongoing development of sustainable technologies is recognized as pivotal although still in progress. Economic sustainability is intertwined with these efforts, recognizing the impact of economic factors on organizations and stakeholders alike.

Economic forces should not be understood in any way as forces external to human life, but in practice they are things that affect - - people. - - A huge number of different compromises that have to be made and at the same time trying to push forward (towards sustainability) so that the pushing is controlled, but quick. (I3)

A holistic approach to sustainability is advocated, aiming to discourage environmentally harmful practices while promoting social equity. The journey towards comprehensive sustainability involves raising awareness, enacting legislation, making effective investment decisions and implementing technological solutions, all supported by a strong infrastructure. It is emphasized that decisions made by policymakers, organizational leaders and stakeholders have far-reaching consequences for society as a whole, emphasizing the interconnectedness of sustainability efforts with everyday life.

The integration of sustainability into organizational operations has evolved gradually, initially driven by efficiency gains and later recognized as a key enabler of competitive advantage and long-term viability. While acknowledging the challenges ahead, there is a prevailing sense of optimism among interviewees, with boards increasingly prioritizing sustainability and driving its agenda forward. Sustainability is viewed as an opportunity rather than a challenge, requiring resources, technological innovation and collective commitment to realize its full potential.

4.1.3 Governance dynamics

Logan, a seasoned board member, holds a firm conviction regarding the pivotal role of the board in driving the sustainability transition and fostering responsible decision-making within organizations. They underscore the significance of cultivating an innovative, diverse and transparent board, viewing it as instrumental in not only ensuring organizational success but also advancing sustainable development objectives. Logan perceives various governance dynamics, including leadership cultivation, sustainability integration and effective decision-making, as crucial elements in this journey.

In Logan's view, several key factors contribute to achieving optimal findings in strategy implementation. They advocate for the integration of a sustainability framework within the workings of boards, seeing it as a valuable tool for self-assessment and performance evaluation. Moreover, they emphasize the importance of effectively embedding sustainability strategies throughout the organization. Logan firmly believes that fostering board diversity plays a pivotal role in enhancing sustainability efforts, recognizing the inherent value that diverse perspectives bring to the table.

Beyond internal dynamics, Logan acknowledges the broader contextual factors shaping the sustainability landscape. They identify megatrends as significant drivers influencing organizational strategies and decision-making processes. Additionally, they underscore the importance of good governance practices and open dialogue, essential elements for navigating the complexities of sustainability integration.

However, Logan remains conscious of the industry-specific nuances impacting sustainability priorities. They acknowledge the need for tailored approaches to sustainability, acknowledging that each industry may place varying degrees of emphasis on sustainability initiatives.

In essence, Logan's perspective underscores the multifaceted nature of sustainability governance. They advocate for a proactive engagement, strategic integration and continuous adaptation to navigate the evolving sustainability landscape effectively. Through their insights, they aim to empower boards to embrace their role as catalysts for the positive change and drivers of sustainable development.

Utilizing insights from all eight interviews, I crafted the narrative on governance dynamics. The cohesive storyline intertwines the perspectives and reflections expressed by the interviewees concerning the role of boards and governance in the sustainability transition. The narrative highlights several factors held important by the interviewees, thus strategy work and board characteristics being the most pivotal ones.

Recognized as crucial for driving the sustainability transition forward, good governance practices hold a central role within boards and organizations. It is widely acknowledged that boards cannot afford to remain stagnant; continual reflection on past endeavours is essential for devising effective strategies for the future. A key method of facilitating this process is by integrating a sustainability framework into board operations. This framework not only helps in assessing the performance of boards and the outcomes of its strategic initiatives but also aids in developing comprehensive risk management practices.

In accordance with good governance, a planned (strategy) and self-evaluation would be done - -. In that context, it is good to include the ESG framework in it. (15)

The multifaceted nature of sustainability poses a challenge for boards, as decisions on this matter are rarely straightforward. Balancing sustainability goals with other organizational objectives requires a comprehensive strategy tailored towards both sustainability and economic viability. While the primary task of the board remains appointing and firing the chief executive officer, recent years have seen a growing emphasis on the role of the boards in crafting functional strategies and making effective investment decisions to further sustainability objectives. Sustainability considerations come to the forefront during various stages of an organization's lifecycle, particularly when updating strategies and goals.

Operationalizing sustainability initiatives is crucial for their success, with active stakeholder involvement through co-creation recognized as a vital aspect of the integration process. Thus, one of the primary responsibilities of the board is to create a comprehensive strategy and establish the framework for organizational activities, ensuring sustainability integration throughout the entire organization.

We have active discussion with stakeholders about what they want us to do and how we could improve our operations to be more sustainable. (I2)

Every organization operates within a unique context and the integration of sustainability is heavily influenced by industry-specific factors and external pressures. Without external pressure to change, the push for change remains low. Through board work and good governance, sustainability could be effectively integrated into an organization's operations, with the concept of good governance now encompassing stakeholders and societal context in a broader sense.

Board members emphasize the importance of diversity, the transparency of actions and turnover for effective board operations and innovation. Diversity in age, gender, expertise and roles within the board fosters diverse perspectives, while transparency and discourse ensure that governance processes are robust and aligned with organizational objectives. Sustainability expertise within the board enhances decision-making processes related to sustainability initiatives.

People's own experiences, background and values are transferred in strategic boards to the organization's values, which form the vision and mission. Which in turn are reflected in customer relations, processes, use of resources and stakeholder relations, so that is the path along which this (sustainability) must be driven into the business of organizations. (I6)

The boards are constantly assuming a more strategic role instead of a monitoring one, with decision-making, the execution of initiatives and strategy alignment all playing crucial roles in driving organizational success. Innovators within successful organizations often set examples for others, with the sustainability journey demanding significant resources and steadfast commitment. Despite the complexity inherent in sustainability issues, prioritizing stakeholder interests remains important.

The evolving business and political landscape, compounded by recent global events such as the covid-19 pandemic and Ukraine war, add layers of complexity to the decision-making process. However, this evolving landscape also presents opportunities for organizations to adapt and thrive. While sustainability may have been on the agenda for some organizations for decades, there is a growing recognition among boards of its importance, with a heightened focus on sustainability initiatives over the past five to ten

years. Overall, the trajectory points towards sustainability are taking an increasingly prominent role in board agendas, as organizations navigate the challenges and opportunities for the future.

4.1.4 Business model innovation

Jamie, a seasoned board member, brings a wealth of experience from navigating the complexities of the business landscape. In their view, organizations and consequently their boards, stand at a pivotal point. While sustainability has long graced board agendas, its recent rise in momentum has begun to spread through every aspect of organizational life. Jamie argues that for organizations aspiring to longevity and profitability, embracing business model innovation is imperative.

Business model innovation, as Jamie explains, involves seamlessly integrating sustainability principles with profit-making imperatives. While undeniably challenging, they see this endeavour as offering numerous advantages if executed successfully. According to Jamie, orchestrating such a transition toward more sustainable business models requires a multifaceted approach. This encompasses activities such as rigorous risk management, the seamless integration of sustainability considerations, strategic planning, financial analysis, response to market pressures, the acknowledgment of stakeholder expectations and fostering an environment conducive to innovation.

However, Jamie posits that establishing a clear organizational mission, vision and set of values could serve as a guiding beacon. By outlining a roadmap for the future, organizations could effectively advance the sustainability transition agenda from the confines of the boardroom. Through a united effort to align strategic objectives with sustainability imperatives, Jamie envisions organizations charting a course toward enduring success in an ever evolving landscape.

Drawing from insights from all the eight interviews, I have crafted the narrative around business model innovation. Throughout the interviews, two recurring themes emerged prominently: strategy work and innovation. It became evident that business model innovation is pivotal in authentically reshaping an organization's operations towards sustainability while ensuring profitability. This entails navigating a dynamic business landscape characterized by evolving stakeholder demands and regulatory frameworks concerning corporate sustainability.

Sustainability needs to be strategically integrated into business models in a manner that supports or enhances organizational operations through sustainable solutions. Risk management practices and the incorporation of sustainability initiatives play critical roles in driving business model innovation. Effective risk management is particularly crucial

given the weight of financial considerations. As organizations transition towards more sustainable operations, they not only mitigate financial risks but also realize cost savings by optimizing existing business models. However, it is essential to note that financial considerations should not overshadow sustainability goals; instead, they should be balanced with long-term oriented strategies and purpose-driven decision-making processes.

The board has a big role in this, as strategy is an important thing, that we integrate sustainability as a key part of our strategy, because it will affect whether our organization will exist in the future or not. (I2)

Achieving long-term sustainability goals requires organizations to make strategic, investment decisions about sustainability while maintaining profitability in the short term. This involves taking incremental steps towards sustainable development while adhering to a long-term strategy. Market pressures and stakeholder demands further compel organizations to prioritize sustainability as a means of accessing profitable new markets. This necessitates striking a balance between economic profitability and sustainability to drive business model innovation effectively.

Business model innovation should leverage new technologies to create inherently sustainable goods and services that are attractive to consumers. Regulatory frameworks also play a crucial role in shaping organizational operations and pricing models to promote sustainability. By innovating business models to offer more sustainable choices, organizations could drive sustainable development, efficiency and profitability.

The smart idea in the new business models is specifically the ability to make a better profit and at the same time promote sustainable development in terms of the environmental and social responsibility. (I6)

The sustainability transition requires bold innovators to create new sustainable business models that cater to evolving consumer preferences. However, the challenge lies in scaling these innovations across entire industries and aligning organizational operations with consumer needs while maintaining profitability. Through business model innovation, organizations could consider the interests of owners, employees, customers, society and the environment, driven by concerns such as climate change and inequality.

Ultimately, aligning sustainability with profitability requires a strong vision and future outlook, aiming to create purpose-driven organizational models that seamlessly integrate sustainability for sustained success. By harmonizing these imperatives, organizations could achieve optimal outcomes and contribute to a more sustainable future.

4.2 Summarizing of narratives

The research resulted in four distinct narratives through comprehensive data analysis, providing insights into different facets of the sustainability transition as perceived by board members. While each narrative addresses the research question, they exhibit heterogeneity by emphasizing diverse aspects of how board members could engage with and perceive the sustainability transition. These narratives explore organizational advancement, varied perspectives on embracing sustainability, governance dynamics, and the innovation of business models.

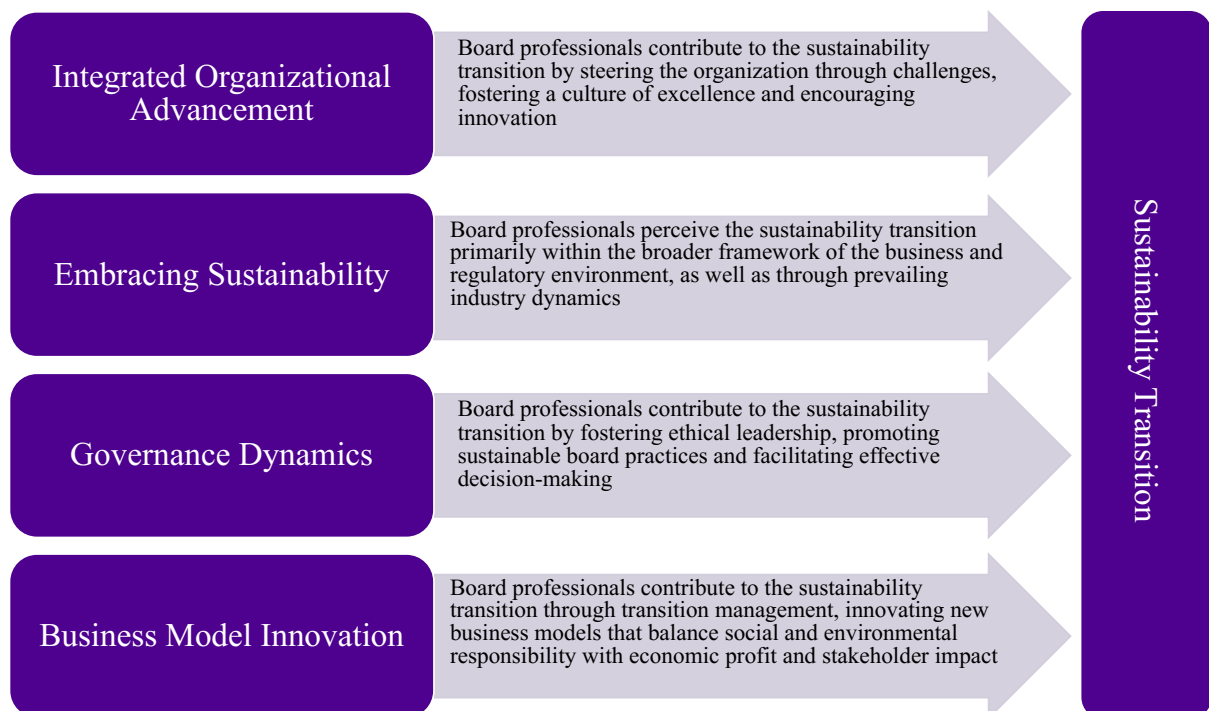


Figure 5 Main arguments of the narratives contrasted against the research problem

The core argument of each narrative is summarized in relation to the research problem “how board members envision their involvement in and understanding about the sustainability transition?” in Figure 5. Highlighting different factors, narratives on

integrated organizational advancement, governance dynamics and business model innovation express the board members' involvement in the sustainability transition. In turn, embracing sustainability narrative illustrates how board members perceive the sustainability transition.

Narrative on integrated organizational advancement expresses how the board members help organizations to overcome barriers regarding change and encourage innovation, fostering a culture of excellence in all fronts of the organization. In turn, governance dynamics narrative highlights how board members contribute to the sustainability transition by fostering ethical leadership, promoting sustainable board practices and effective decision-making. The narrative on business model innovation expresses the board members' involvement through transition management, wherein they make efforts to innovate new business models that align sustainability imperatives with economic viability, while also considering the impact on stakeholders.

Moreover, the narrative on embracing sustainability illustrates how board members primarily view the sustainability transition within the broader context of the business and regulatory landscape, alongside prevailing industry dynamics. This narrative explains board members sharing their own experiences with the sustainability transition. They discuss how both inside and outside factors affect their views on sustainability while serving on boards.

Thus, all narratives are built upon the data analysis process to address the research question, offering insights that underscore the significance of the various factors and attributes of board work within the context of the sustainability transition. This highlights the diverse fronts and approaches through which board members engage with the sustainability transition, emphasizing the multifaceted nature of board responsibilities, corporate governance and their pivotal role in guiding organizations toward sustainability. Additionally, one narrative (embracing sustainability) emphasizes the significant influence of external factors on board members' perceptions, indicating the deep integration of the sustainability transition into the business landscape.

Table 4 Key themes emerging in the narratives

	IOA	Embracing Sustainability	Governance Dynamics	BMI
Board characteristics			x	
Communication	x			
Decision-making	x	x	x	
Efficiency	x			
Financial factors				x
Industry norms	x	x	x	
Innovation	x			x
Organizational culture		x		
Organizational mission, vision & values	x	x	x	
Regulatory environment		x	x	
Risk-management	x			x
Stakeholder impact	x	x	x	
Strategy	x	x	x	x
Sustainability framework			x	

Each of four narratives addresses the research problem from distinct perspectives, highlighting various themes within their narratives. Table 4 illustrates the primary themes present in each one. Despite the heterogeneity of narratives, commonalities arise among them, featuring recurring themes such as decision-making, industry standards, organizational mission, vision and values, stakeholder influence and strategy. This emphasizes the pivotal role of board members and boards in driving the sustainability transition, as they have the ability to steer organizations towards a more purpose-driven orientation by creating long-term strategies that prioritize sustainability. Thus, as industry norms and other external factors influence board members' perceptions, frontrunner organizations could have the opportunity to affect other organizations by leading the industry.

Moreover, as illustrated in Table 4, strategy emerges as a common denominator across all narratives. This underscores the evolving role of boards from a traditional supervisory function to a more strategic one. This finding is in line with the notion that (strategic) boards are at the heart of transition management, steering organizations through the

sustainability transition by transition management and business model innovation. However, surprisingly efficiency and financial considerations are notably absent from most of the narratives, despite the fact the findings of this study suggest that board members struggle to reach the end goal of business model innovation and hence find equilibrium between excelling the sustainability initiatives and economic viability of organizations.

5 DISCUSSION

5.1 Assessment of the findings in the light of literature

The primary objective of this research was to investigate the role of board members in the sustainability transition movement and explore their perceptions regarding this transition. Additionally, the study aimed to shed light to the board members' expectations of the future of sustainable board work. The central research question guiding this thesis was “how board members envision their involvement in and understanding about the sustainability transition?”.

To achieve these objectives and address the research question, I conducted empirical qualitative research. The data collection involved conducting in-depth interviews with eight board members serving on the boards of Finnish SMEs. Subsequently, the analysis of the collected data followed narrative analysis methods, resulting in four distinct narratives as the primary findings of this study.

These narratives shed light on how board members contribute to the sustainability transition. They do so by guiding organizations through challenges, cultivating a culture of excellence and fostering innovation. Another significant avenue of contribution is through governance, where board members promote ethical leadership, advocate for sustainable board practices and facilitate effective decision-making.

Furthermore, the research findings indicate that board members play a crucial role in the sustainability transition through transition management. They innovate new business models that strike a balance between social and environmental responsibility, economic profit and stakeholder impact. Moreover, the findings highlight that board members primarily perceive the sustainability transition within the broader context of the business and regulatory environment, as well as prevailing industry dynamics.

The findings of this study are consistent with previous research by Carroll (1999) and Klein et al. (2021), indicating that the concept of corporate sustainability has evolved to

encompass broader dimensions of social and environmental well-being. Throughout the research findings, the narratives express how boards members view on corporate sustainability now encompasses stakeholder impact on large, rather than solely focusing on environmental considerations. Similarly, Siebold (2021) and De Silva et al. (2021) have found that this evolution of corporate sustainability drives the sustainability transition through business model innovation. Boards and effective corporate governance practices act as the heart of transition management. Additionally, the findings of this study suggest a shift in the perception of sustainability initiatives, moving away from solely increasing economic profit towards a profounder integration with the organization's values, mission and vision, as also noted in prior studies by Weber (2008), Freeman (2010) and Siebold (2021).

Furthermore, the findings align with Weber's (2008) research, suggesting that corporate sustainability could lead to both tangible and intangible benefits for organizations. These benefits include gaining competitive advantage, securing a licence to operate by fulfilling stakeholder claims, revenue increases and cost decreases through risk-management practices, increased brand value, improved customer attraction and retention and enhanced employee motivation and retention. The findings also indicate that sustainability initiatives could increase access to capital and influence investment decisions, as supported by the prior studies of Eccles et al. (2014), Cheng et al. (2014) and De Silva et al. (2021).

Moreover, there is a growing legitimacy of the stakeholder view of an organization, promoting long-term oriented purpose-driven entities, as suggested by the findings of Eccles et al. (2014), Ioannou and Serafeim (2015) and Siebold (2021). Similarly, the findings of this study found that stakeholders are increasingly affecting decision-making processes and driving innovation towards more sustainable business models, also referred to as the shift towards purpose-driven entities, a view supported by Aras and Crowther (2008).

Regarding governance dynamics, the findings indicate that diversity within the board promotes sustainability, effective decision-making and good governance, as also noted by Webb (2004), Endrikat et al. (2021) and Zaman et al. (2022). However, while the findings do not emphasize certain aspects highlighted in the literature, such as the role of

a higher number of directors or a dedicated sustainability committee, they stress the importance of having enough members from diverse backgrounds to generate different views and opinions. This finding is reasonable given the context of SMEs, where boards tend to consist of fewer members (Chamber of Commerce, 2023).

Many prior studies, including those by Loorbach et al. (2010), Klein et al. (2021), De Silva et al. (2021) and Siebold (2021), highlight the challenge of navigating the delicate balance between economic profit and sustainability in business model innovation. The findings of this study confirm that the challenge has not disappeared but suggest that innovation, leveraging new technologies, long-term oriented strategies, purpose-driven decision-making and a strong vision and future outlook could facilitate finding this balance.

Moreover, the the findings of this study underscores the central role of boards in aligning organizational decisions with sustainability principles and rethinking business models, aligning with prior research by Loorbach and Wijsman (2013), Amaeshi et al. (2013) and De Silva et al. (2021). The findings are in line with the stages presented in the transition management cycle, emphasizing the need for organizations to actively assume a transformative role to influence both their internal operations and the industry towards sustainability.

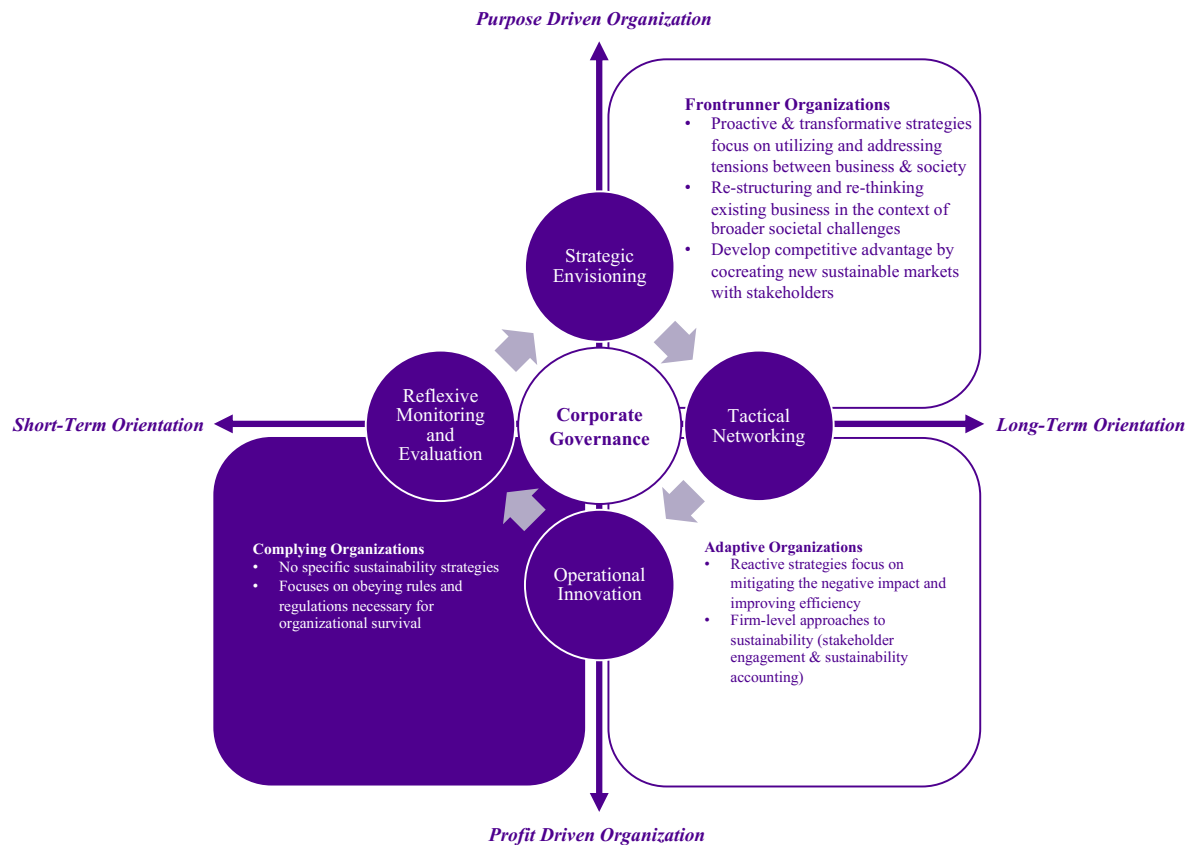


Figure 6 Findings assessed through conceptual framework

Therefore, by examining the transition management process conducted by the board, it becomes possible to assess the organization's position within the sustainability transition movement using the conceptual framework (Figure 6). The findings of the study indicate that organizations in the context of this present research could be classified as either frontrunner organizations or adaptive organizations, as characteristics from both types are evident.

The findings suggest that long-term economic gains are important in board work. Additionally, addressing negative environmental and social impacts is considered crucial, with comprehensive value chain management being one approach. These attributes align with those associated with adaptive organizations. However, the findings also reveal that boards strive to balance economic and social priorities when devising strategies and innovating business models. They adapt operations to align with broader societal objectives and seek competitive advantage through stakeholder co-creation, all of which are attributes associated with frontrunner organizations. Hence, the findings of this study illustrate that organizations exhibit a long-term orientation rather than a short-term focus.

However, they still grapple with striking a balance between purpose-driven operations and economic viability.

According to the findings, board members have various thoughts and ideas how they could find the balance between the two logics. However, those thoughts and ideas are yet to be materialized in their full potential. This goes to show that the notion is present in many boards and board members are actively working towards reaching this goal. Moreover, the findings of this study implicate that board members leverage effective decision-making processes brought on by diverse boards and strategy work as a means to innovate the existing business models towards finding a balance between the two imperatives.

Besides, Loorbach et al. (2010) introduce the four phases of transition as predevelopment, take-off, acceleration and stabilization. Based on the findings of this study it could be concluded that the current stage of the sustainability transition has developed coming out of the predevelopment phase to phases between of take-off and acceleration. According to Loorbach et al. (2010), during predevelopment stage tension starts to build, but anything is not yet materializing. During take-off, multiple developments interlock and thus cause a chaotic period, whereas change quickly becomes tangible during acceleration as new structures emerge. Logically, the process of change slows down during the stabilization phase, as new norms gain legitimacy.

Therefore, according to the findings of this study, board members' perspectives indicate that the sustainability transition currently exhibits characteristics of the take-off phase. Boards are actively innovating existing business models and pursuing sustainability across various fronts while also striving to maintain economic viability. However, elements of the acceleration phase are also evident, as some boards have successfully implemented strategies resulting in new structures in board work and corporate governance, prioritizing strategic and sustainable approaches. Yet, these advancements are not widespread in the business landscape, limiting their adoption by all organizations. This underscores the complexity of building a business case for corporate sustainability and the ensuing challenges faced by boards. Nevertheless, the findings suggest that the sustainability transition is progressing at a new pace towards stabilization.

5.2 Implications of findings

The findings of this study carry significant implications for future organizational practices, particularly in facilitating the transition towards sustainability. They highlight the potential for boards to play a pivotal role in driving this transition from within the organization, with the possibility of numerous benefits, notably the attainment of competitive advantage and the establishment of operational continuity for long-term viability.

Hence, at a general level the findings of the present study encourage board members to address challenges and seize opportunities, cultivating a culture of excellence and fostering innovation within the organization. Ethical leadership is a necessity within the boardroom, along with the promotion of sustainability initiatives and facilitating effective decision-making processes. Thus, there is a recognized need for competent boards capable of leading business model innovation towards sustainability through effective transition management. Consequently, it seems that there is a need for board members to devise pioneering strategies that strike a balance between economic profitability and sustainability initiatives, thereby transforming organizations into purpose-driven entities.

Taking practical considerations into account, the findings of this study advocate for the establishment of diverse boards inclusive of varying demographics such as sex, age and personal backgrounds. It became evident throughout this study, that diverse boards, as endorsed by board members, exhibit improved decision-making abilities, thereby positively impacting overall board functionality and processes. Another practical implication is that there is a notable emphasis on boards prioritizing strategic planning and setting long-term goals to enhance organizational sustainability.

The findings of the study suggest several courses of action taken by the boards, focusing on the stakeholder engagement and the organization's societal and environmental impact, underscoring the importance of continuous co-creation with the stakeholders to enhance decision-making and to create effective sustainability strategies. Additionally, it seems that there is a need to embed sustainability into the organizational values, vision and mission, prompting boards to find equilibrium between sustainability and economic

profitability. These insights provide a foundation for developing existing business models towards sustainability and offer significant implications for future practice.

5.3 Limitation of research

This study employed narrative research methods to examine the sustainability transition from board members' perspective. However, it is important to acknowledge the limitations of the research and address potential weaknesses, constraints or shortcomings in the research process, methodology and findings in order to promote transparency and provide context.

Primary data for the research was gathered via eight semi-structured interviews, utilizing purposeful sampling techniques to identify suitable participants. Accessing data presented challenges as not all invitations to participate received affirmative responses, or responses at all, thereby limiting the scope of the study. In other words, the collected data and research findings could be deemed more reliable, if I had conducted a greater number of interviews. However, the participants in this study represent varying characteristics in terms of age and experience. Majority of the interviewed board members currently serve or have served in numerous boards representing different types of organizations and industries. Hence, this heterogeneity among the interviewees adds to the reliability of the data and research findings.

Several factors influence the generalizability of the findings, including the nature of narrative research and the specific focus of this study. One limitation inherent in narrative research is its limited generalizability, as narratives are essentially tied to personal accounts and heavily influenced by context. (Andrews et al., 2008). Additionally, this study specifically examined the perspectives of board members in Finnish SMEs. Therefore, the findings are most relevant to this particular context and may be challenging to apply to others. Context-specific nuances, such as differences in the nature of board work and cultural or political factors could potentially limit the relevance of the findings when applied to boards in larger organizations or boards in organizations in different countries.

While narrative research is valuable for understanding lived experiences, it also has other weaknesses in addition to limited generalizability. These include subjectivity of narratives, different forms of interviewee bias and challenges in verifying findings. (Andrews et al., 2008). However, the choice to apply narrative research approach is justified by citing methodology literature and the consequences of such limitations were reduced to minimum by following the six phased data analysis process when analysing the data and reporting findings. Moreover, a cohesive link exists between the research question, conceptual framework, methodology and the resulting outcomes within this thesis.

Lastly, regarding the matter of objectivity versus subjectivity, I made combined efforts to maintain objectivity throughout the research process. Nonetheless, it is important to acknowledge that some level of subjectivity may inevitably creep in during both data analysis and collection as well as when reporting findings. This potential for subjectivity stems partly from the vague nature of the concept's corporate sustainability, sustainability transition, purpose driven organization and good governance, which serve as foundational concepts within the thesis. Additionally, factors such as my personal background—encompassing gender, culture, history, as well as academic and member experiences—may also influence the interpretation of data and subsequent reporting of findings.

5.4 Recommendations for future research

It would be important to study the leadership of corporate sustainability, hence the sustainability transition, from several other viewpoints in addition to the focus of the present study. For example, the board members' contributions and perceptions towards the sustainability transition could be studied in the context of larger organizations to gain a broader understanding. Additionally, comparing the views of board members across different countries with varying business and political landscapes could shed light on the influence of external contexts.

Moreover, future research could further investigate how board characteristics impact decision-making processes and corporate sustainability efforts. Exploring factors such as age, gender, personal values, educational background and experience could provide insights into how these traits affect board functions and sustainable practices.

Further research in this field would be of great help also from the viewpoint of finance considering the growing discourse around this issue. One interesting perspective would be to study if or how corporate sustainability effects stock prices and thus how this influences the decision-making processes of boards. Another intriguing area of research could focus on the relationship between corporate sustainability and board remuneration and how this affects decision-making processes and sustainability initiatives. Overall, numerous important questions and issues remain unresolved in this field, emphasizing the need for further research and exploration.

6 CONCLUSION

The main objective of the present study was to assess and analyse the sustainability transition from the perspective of boards and board work. Additionally, another aim of the research was to shed light to the board members' expectations about the future of sustainable board work. Addressing these objectives is significant in the field of strategy and management as wicked problems such as the depletion of nature's resources, mounting well-being concerns, the race for digital supremacy and fractures in economic structures have increased the role of corporate sustainability and effective governance even more.

The findings of the study suggest that board members contribute to the sustainability transition in numerous ways and underscore the role of boards and board work in the changing business and regulatory landscape. According to the research findings, boards have the ability to integrate excellence within the organization, embrace sustainability strategies, reap the benefits of effective decision-making and innovate existing business models towards sustainability. Hence, the findings suggest that boards continuously assume a more strategic role in organizations, compared with a supervising one.

Research findings were also assessed through the conceptual framework of this thesis. The assessment uncovered that organizations are intentionally creating long-term strategies for promoting sustainability over short-term goals and profitability. However, finding the equilibrium between economic profit and sustainability initiatives still poses a challenge for boards, promoting the role of transition management and business model innovation. However, based on this research, organizations could be categorized as having characteristics of both a frontrunner and an adaptive organization, implicating that the sustainability transition is proceeding nevertheless set.

Thus, when evaluating the current stage of the sustainability transition, the study indicates that the transition has advanced beyond the predevelopment stage, showing tangible changes similar to the take-off and acceleration phases, with board members actively innovating business models and sustainability efforts, alongside implementing new

strategies in board work and corporate governance. Despite these advancements, their widespread adoption remains limited in the business landscape, underscoring the challenges faced by boards. Nevertheless, the findings suggest a progressing transition towards a more sustainable future.

The findings of this study have a number of important implications for future practice. They add to the existing literature on strategic management, offer implications and avenues for further research. The findings address the research problem by revealing that board members perceive the sustainability transition largely through industry norms and external contexts, additionally they contribute to it through integrating sustainability into the core of an organization—its values, mission and vision by bringing their personal values and background to the decision-making processes and strategy work, thus promoting the organizations to develop into purpose driven entities from within.

Limitations and constraints during the research process are mainly associated with inherent limitations of the research approach and access to data. Board members tend to lead busy lifestyles and recruiting them for interviews is challenging. Thus, future research could benefit from conducting more qualitative studies on boards and board work, as the vast majority of current literature employs quantitative methods. The avenue for future research on boards and corporate governance holds great promise, as it aligns with the values of our changing world and advances the agenda of more sustainable organizations.

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APPENDICES

APPENDIX 1 Interview questions (English and Finnish)

Question 0: Please tell me about your background and experience from boards and board work.

1. How do you understand the sustainability transition?
2. As a board member, what have you experienced in terms of the sustainability transition?
3. As a board member, what contexts or situations have typically influenced or affected your experiences regarding the sustainability transition?
4. How is sustainability defined within the board you are serving?
 - a. What are the current practices associated with sustainability?
 - b. In your opinion, what connections exist between the principles and practices of corporate governance and the integration of sustainability initiatives within organizations?
5. How would you define a perfect board in terms of sustainability and sustainable board work in an ideal world?
 - a. In your opinion, what actions or measures should be taken to achieve such ideal situation?

Kysymys 0: Kertoisitko taustastasi hallituksissa ja hallitustyöstä.

1. Miten ymmärrät kestävyys siirtymän?
2. Miten olet hallituksen jäsenenä kokenut kestävyys siirtymän?
3. Mitkä tilanteet tai asiayhteydet ovat vaikuttaneet/vaikuttavat kokemuksiisi kestävyys siirtymästä hallituksen jäsenenä?
4. Miten kestävyys ja vastuullisuus määritellään hallituksessa, jossa toimit?
 - a. Mitkä ovat organisaation nykyiset vastuullisuus käytännöt?
 - b. Mitä yhteyksiä mielestäsi on hyvän hallintotavan ja kestävyys hankkeiden integroinnin välillä organisaatioissa?
5. Miten määrittelisit täydellisen hallituksen vastuullisuuden ja kestävä hallitustyön kannalta ideaali maailmassa?
 - a. Mitä toimenpiteitä tai toimia mielestäsi tulisi toteuttaa tällaisen ihanteellisen tilanteen saavuttamiseksi?

APPENDIX 2 Informed consent form



1 (3)

SUOSTUMUSLOMAKE

Kestävyyssiirtymä hallitustyön näkökulmasta – tarinoita hallitustyöstä ja organisaatioiden kestävästä kehityksestä, pro gradu -tutkielma

Suostumus tutkimukseen osallistumiseksi

Minua on pyydetty osallistumaan yllä mainittuun tieteelliseen tutkimukseen, ja olen saanut kirjallista tietoa tutkimuksesta, ja mahdollisuuden esittää siitä tutkijalle kysymyksiä. Ymmärrän, että tutkimukseen osallistuminen on vapaaehtoista ja että minulla on oikeus kieltäytyä siitä sekä peruuttaa suostumus ja keskeyttää tutkimus väliaikaisesti syytä ilmoittamatta. Ymmärrän myös, että tiedot käsitellään luottamuksellisina.

Annan suostumukseni tutkimukseen.

Paikka ja päivämäärä

Allekirjoitus

Nimenselvennys

Puhelinnumero

sähköpostiosoite

**Opinnäytetutkimuksen tietosuojailmoitus
EU:n yleinen tietosuoja-asetus (2016/679), art. 12–14**

Rekisterin nimi	Kestävyys siirtymä hallitustyön näkökulmasta – tarinoita hallitustyöstä ja organisaatioiden kestävästä kehityksestä [pro gradu -tutkielma]
Päiväys	dd.mm.yyyy
Rekisterinpitäjä(t)	Jenni Kyllönen sähköposti puhelin
Ohjaaja tai oppilaitoksen yhteyshenkilö	Professori Kalle Pajunen sähköposti puhelin
Henkilötietojen käsittelytarkoitus ja käsittelyperuste	<p>Henkilötietojasi käsitellään kestävyys siirtymään, organisaatioiden kestäväan kehitykseen ja hallitustyöhön liittyvässä opinnäytetutkimuksessa. Tutkimuksen tavoitteena on havainnoida ja ymmärtää kestävyys siirtymän nykyistä vaihetta luomalla vastuullisen hallitustyön ideaali narratiiveja haastatteleamalla hallitusammattilaisia.</p> <p>Tutkimukseen osallistuminen on vapaaehtoista. Henkilötietojen käsittelyperusteena on:</p> <p><input checked="" type="checkbox"/> suostumus. EU:n yleinen tietosuoja-asetus 6 artikla 1.a-kohta. Suostumuksen voi peruuttaa milloin tahansa ilmoittamalla tästä rekisterinpitäjälle. Suostumuksen peruuttaminen ei vaikuta ennen suostumuksen peruuttamista suoritettujen käsittelyjen lainmukaisuuteen. TAI</p> <p><input type="checkbox"/> yleisen edun mukainen tieteellinen tutkimus. EU:n yleinen tietosuoja-asetus 6 artikla 1 e-kohta.</p>
Henkilötietojen säilytysaika	<p>Opinnäytteen/opinnäytteiden valmistuttua aineisto ja henkilötiedot tuhoetaan.</p> <p>Siltä osin kuin ohjaajalla on pääsy aineistoon opinnäytetyön ohjaamista ja tarkastamista varten, ohjaajat ja tarkastajat käsittelevät henkilötietoja ainoastaan niin kauan kuin on tarpeellista työn hyväksymistä varten.</p>
Rekisterin tietosisältö ja tietolähteet	<p>Kuvaus rekisterissä käsiteltävistä henkilötietotyypeistä tietoryhmittäin:</p> <ul style="list-style-type: none"> - Työhistoria (hallitustyö) - Nykyinen titteli - Organisaation toimiala & koko, jonka hallituksessa työskentelet - Ikä (10 vuoden välein) - Sukupuoli - Haastattelun tietosisältö <p>Tiedot kerätään tutkittavilta itseltään (haastattelut) ja organisaation raporteista (vuosikertomukset).</p>

Henkilötietojen vastaanottajat	Henkilötietojasi ei luovuteta ulkopuolisille.
Rekisterin suojauksen periaatteet	<p>Manuaalinen aineisto säilytetään lukitussa tilassa/kaapissa. Digitaalinen aineisto suojataan kaksivaiheisella käyttäjän tunnistuksella (MFA) sekä käyttäjätunnuksella ja salasanalla.</p> <p>Aineistosta poistetaan suorat tunnistetiedot.</p>
Rekisteröidyn oikeudet	Tietosuojalainsäädännön mukaisesti sinulle kuuluu oikeus saada pääsy tietoihin, oikaista tietoja, oikeus tietojen poistamiseen (oikeus tulla unohdetuksi), rajoittaa tietojen käsittelyä ja vastustaa henkilötietojen käsittelyä. Jos haluat käyttää jotain oikeuttasi, ota yhteys rekisterinpitäjään.
Oikeus valittaa viranomaiselle	Sinulla on oikeus tehdä valitus henkilötietojen käsittelyä valvovalle viranomaiselle, jos epäilet henkilötietojasi käsiteltävän vastoin tietosuojalainsäädäntöä: tietosuoja.fi / sähköposti: tietosuoja@om.fi

APPENDIX 3 Theme development

Code groups	Initial themes	Developed themes
Action Business activities Efficiency Risk management	Strategic action Operational efficiency Risk mitigation	Strategic adaptation and efficiency gains
Innovation Opportunity	Innovative solutions Entrepreneurial ventures Market expansion Strategic growth initiatives	Holistic business advancement
Background influence Interest in sustainability	Cultural background and sustainability values Educational influence on sustainability awareness Personal values and environmental stewardship	Integrated foundations of sustainability
Barrier Challenge	Obstacles to implementation Resource limitations Organizational Hurdles	Implementation challenges: navigating barriers and resource constraints
Board characteristics Ideal board	Expertise and competency Diversity and inclusivity Strategic vision and leadership Effective communication and collaboration Ethical governance and accountability Adaptability and resilience	Foundations of effective organizational excellence: integrating expertise, diversity and ethical leadership
Contributions to the board Experience in board work Responsibilities Role in the board Role of sustainability education	Leadership and decision-making contributions Expertise and skills in board functions Role definition and clarification Integration of sustainability education Learning and growth in board roles	Dynamic governance: nurturing leadership, expertise and sustainable growth
Current stage of sustainability transition Description of sustainability transition Description of sustainability transition Experience of sustainability transition Role of Sustainability Sustainability Sustainability framework	Stages of sustainability transition Definition and understanding of sustainability Lived experiences of sustainability transition Role and importance of sustainability Frameworks for sustainability	Sustainability transition: navigating stages, definitions and integration

Sustainability integration	Integration of sustainability principles	
Decision-making Governance Strategy	Strategic decision-making Governance structures and decision authority Alignment of decisions with organizational strategy Governance and policy decisions Strategic planning and decision implementation Role of leadership in decision processes	Governance and strategic decision-making: aligning leadership, structure and implementation of sustainability
Environmental impact Social impact	Environmental stewardship Social responsibility Sustainable practices Community engagement and empowerment	Corporate citizenship: environmental stewardship, social responsibility and community empowerment
Financial factor Technological factor	Strategic financial planning Technological integration and innovation Financial sustainability Resource allocation and technology adoption Cost-benefit analysis	Innovative financial strategies
Regulation Stakeholder	Compliance and regulatory adherence Stakeholder engagement and influence Regulatory environment and decision-making Stakeholder perspectives on regulations Regulatory challenges and opportunities	Navigating regulatory realities: balancing compliance, stakeholder dynamics and decision challenges
Frontrunner organization Long-term oriented Purpose driven	Innovative frontrunners Sustainable long-term strategies Purpose driven mission and values Strategic foresight and planning Social and environmental impact leadership Ethical decision-making in the long-term	Pioneering sustainable excellence: integrating innovation, purpose and ethical leadership
Profit driven	Financial performance focus Short-term profitability goals Cost-cutting efficiency measures Market share and revenue growth	Profit maximization dynamics: balancing financial performance, stakeholder impact and risk

	<ul style="list-style-type: none"> Impact on stakeholder relationships Risk-taking for profit maximation 	
<ul style="list-style-type: none"> Industry Organization characteristics 	<ul style="list-style-type: none"> Industry dynamic and challenges Organizational culture and structure Competitive landscape and positioning Industry-specific leadership practices Adaptation to industry trends Impact of organizational characteristics on industry participation 	<ul style="list-style-type: none"> Strategic industry engagement: navigating dynamics, culture and competitive positioning
<ul style="list-style-type: none"> Context Perception Vital aspect 	<ul style="list-style-type: none"> Contextual influences Perception and interpretation Critical vital aspects Contextualized perspectives on importance Subjective interpretations of significance Influence of external factors on perception 	<ul style="list-style-type: none"> Contextual dynamics and significance attributions: shaping perspectives and interpretations