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Multi-level alignment of Sustainability goals and Corporate Strategy

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ABSTRACT:

Ympäristövastuun rooli yritystoiminnassa on kasvanut merkittävästi viime vuosien aikana. Sitä ei vaadi vain sidosryhmät kuten asiakkaat, yhteistyökumppanit ja rahoittajat vaan myös esimerkiksi kiristynyt sääntely. Yritysten odotetaan yhä useammin integroivan ympäristötavoitteensa osaksi liiketoimintastrategiaa, joka ulottuu kaikille organisaatiotasolle. Aiemmat tutkimukset ovat osoittaneet, että kaikilla organisaatiotasolla - ylimmällä johdolla, keskijohdolla ja operatiivisella henkilöstöllä - on oma tärkeä roolinsa kestävyystavoitteiden saavuttamisessa. Sen sijaan on tutkittu vähemmän sitä, miten kestävyystavoitteiden ja yritysstrategian välinen yhteys ymmärretään eri organisaatiotasolla ja missä määrin tämä ymmärrys todella siirtyy ylhäältä alaspäin.

Tutkielman tavoitteena on selvittää, eroaako käsitys kestävyystavoitteiden ja yritysstrategian välisestä yhteydestä eri organisaatiotasojen välillä. Tutkimus on toteutettu pääosin kvantitatiivisena kyselytutkimuksena sekä yhden avoimen kysymyksen osalta kvalitatiivisena analyysinä. Aineisto koostuu 19 vastaajasta, joiden taustat ovat laajasti eri toimialoilta. Vastaajat edustavat neljää organisaatiotasoa: operatiivista henkilöstöä, keskijohtoa, ylintä johtoa sekä kestävyysasiantuntijoita. Vastaajamäärän hyvin rajallisen määrän vuoksi tulokset on tulkittava suuntaa antavina eivätkä ne ole tilastollisesti yleistettäviä.

Tulokset osoittavat, että kestävyystavoitteiden ja yritysstrategian välinen yhteys koetaan keskimäärin hyväksi kaikilla organisaatiotasolla, mutta erityisesti kestävyystavoitteiden viestintä heikkenee mitä alemmas organisaatiossa siirrytään. Suurin ero havaitaan operatiivisen henkilöstön ja keskijohdon vastausten välillä, jossa ero koetun strategisen yhteyden ja viestinnän selkeyden välillä on merkittävä.

Johtopäätöksenä esitetään, että ymmärrys yritysstrategian ja kestävyystavoitteiden välisestä yhteydestä heikkenee hieman, mutta kokemus kestävyystavoitteiden säännöllisestä ja selkeästä kommunikoinnista heikkenee merkittävästi, mitä alemmassa organisaatiossa edetään. Tutkielma esittää, että kestävyystavoitteiden integrointi strategiaan edellyttää erityistä huomiota viestintään, kannustinrakenteisiin, roolikohtaisiin tavoitteisiin sekä keskeisen keskijohdon roolin tukemiseen.

KEYWORDS: Corporate Strategy, Sustainability, Sustainability goals, Strategic management, Middle management, internal communication

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1 Introduction

1.1 Motivation for the study

The role of environmental sustainability (later sustainability) in companies has been growing significantly in the past few years (Engert et al. 2016). Not only is it required by multiple stakeholders but it is first and foremost absolutely crucial in order to limit global warming and reduce emissions considerably. The latest IPCC Synthesis Report (2023) emphasizes the role of companies and calls for “rapid, far-reaching, and unprecedented changes” across sectors, especially in industries such as energy, manufacturing and transportation. For all companies, aligning their strategies with sustainability is not just beneficial but necessary.

According to Freeman R.E’s (1984) stakeholder theory a company's strategy is constantly affected by both external and internal changes leading to the increasing need to meet broader societal expectations and align corporate strategy with the stakeholder needs. Environmental issues are mentioned as one external change already in 1984 alongside regulation and government. The regulation on sustainability has been increasing in the past years. The new Corporate Sustainability Reporting Directive will require large companies and listed SMEs to report on sustainability so that stakeholders have access to the information they need when assessing the impact of companies on the environment.

Furthermore, one internal change attribute in the stakeholder theory are customers (Freeman, 1984). According to Tully et al. 2022, consumers are actively seeking for products and services from businesses that prioritize sustainability and in fact, it creates a competitive advantage for the companies that can meet these demands. Consequently, companies are integrating sustainability into their core strategies in order to meet these needs.

1.2 Research gap

Research shows that each organizational level, top executives, middle managers and the operational level, play a crucial role in achieving sustainability goals (Eccles et al., 2014 & Busch et al., 2020). Executives are responsible for setting the vision, embedding sustainability into corporate strategy, setting the sustainability goals and in the big picture making sure of the resourcing. (Eccles et al. 2014; Hoffman & Henn, 2008)

Middle managers' role in cross-level alignment is important as their responsibility is to communicate sustainability as well as strategic objectives from the executives to the operational level. The goals can not only be transferred from top down but they need to be fitted and adapted to the operational level's reality.

The operational staff is responsible for actually doing the daily tasks that further the sustainability goals. All in all, sustainability issues ought to be included in the daily routines and tasks of the operational staff.

Researchers have identified the role of each organizational level in sustainability implementation and list communication and alignment (Eccles et al., 2014) and organizational structures and roles (Busch et al., 2020) as important building blocks for success. Yet there seems to be a gap in the research regarding the differences from inside out - how the employees perceive and understand sustainability goals and their link to strategy on each organizational level. Furthermore, there is lack of practical evidence on how the understanding actually cascades from top to operational level.

Bansal et al. (2024) introduces the theory of ecological fallacy that “arises when the principles and assumptions that are justified at a macro level of analysis are carelessly applied analogically to a lower level of analysis”. The article suggests that a macro level phenomenon may not be applicable to a firm level analysis as is and that the macro level goals may not be achieved simply by setting the same goals on a firm level or just

summing up the components of the micro level. This thesis aims to research whether similar ecological fallacy occurs at the firm level as well.

1.3 Research problem and theoretical contribution

This thesis aims to find answers to the research problem of understanding how well sustainability goals are aligned with corporate strategy and how the link between these two are perceived throughout the organization on different organizational levels. The primary research question is:

1. Is there a difference on how the alignment of corporate strategy and sustainability goals are perceived on different organizational levels?

An additional, secondary research question ties this research to the ecological fallacy theory:

2. Is there ecological fallacy on company level?

As the requirements for sustainable business increase from multiple stakeholders so does the need for managing sustainability and linking it more closely to the corporate strategy. This study will advance knowledge in strategic management and sustainability by giving practical evidence on how sustainability is understood and aligned throughout organizations. It also scratches the surface of the challenges related to aligning sustainability goals with the corporate strategy and what factors affect the perceived alignment.

The managerial implications are eminent as the need for integrating sustainability is continuously growing. This thesis will demonstrate the multi-level understanding and alignment of corporate strategy and sustainability goals for a wider audience on a general level. The research findings can be exploited as part of the development of

managing sustainability in a way that is in line with the corporate strategy - what should be taken into consideration when planning the communication, resourcing, incentivizing and for example goal setting.

In this thesis sustainability is limited to cover only environmental sustainability for clarity and delimitation of the topic.

1.4 Thesis structure

The thesis consists of an introduction, a literature review, an empirical study, research findings and finally discussion.

The literature review studies the theories on corporate strategy, sustainability and how the link between them has evolved and how it is perceived by academia today. Furthermore, it includes a review of the role of sustainability on different organizational levels. This section provides a theoretical background on how academia perceives sustainability and its role as part of corporate strategy.

The literature review is followed by the methodology of the empirical study. The methodology chapter explains the research approach, introduces the selection of companies and respondents as well as the survey design. The empirical study is conducted as a structured survey and it includes responses from 15 Finnish companies. Data collection and analysis are also elaborated in this chapter.

The research methodology is followed by the research findings. This chapter presents the survey findings on the collective understanding of the link between strategy and sustainability. The findings are broken down by organizational level.

Finally, this thesis presents the discussion chapter. It includes theoretical and managerial implications, suggestions for future research and the limitation of this research.

2 Literature review

This literature review examines the integration of sustainability into corporate strategy, including key definitions, theories on corporate strategy and environmental sustainability, the drivers behind the need for alignment, the roles that the different organizational levels hold, challenges related to the phenomenon and finally the synthesis of the literature review. This chapter presents a foundation for understanding the alignment of sustainability goals with corporate strategy across different organizational levels.

2.1 Corporate Strategy and Sustainability: definitions and theoretical perspectives

Corporate strategy and sustainability are two critical aspects of modern business. They are increasingly intersecting one another. Corporate strategy provides a structural approach for achieving long-term objectives where the focus is often on market positioning, competitive advantage and the organization's profitability. Meanwhile, sustainability that generally includes environmental, social and economic dimensions, emphasizes meeting a company's current needs without compromising the ability and possibility of future generations to meet their own (Hajian & Kashani, 2021). As organizations face global challenges such as climate change, aligning sustainability goals with corporate strategy has become a significant concern.

2.1.1 Background of Corporate Strategy

Historically, strategy has its origins in military tactics, where it included planning the actions in order to secure competitive advantage. The term strategy was first introduced in the corporate world in the middle of the 20th century. Early corporate strategy focused on financial performance, efficiency and market dominance (Porter,

1996). However, over time the scope has expanded to include elements of sustainability through for example stakeholder engagement, corporate social responsibility (CSR) and environmental aspects.

Strategy is often misperceived as goal setting by executives, when in fact strategy is a comprehensive entirety responding to the question where to play on the corporate strategy level and how will the goals and objectives be achieved on the business strategy level (Grant, 2021). Furthermore, the concept of strategy is not just simple answers to simple questions. Rumelt (2012) defines strategy as follows:

*“A strategy is a coherent set of analyses, concepts, policies, arguments, and actions that respond to a high-stakes challenge”
(Rumelt, 2012).*

Furthermore, Porter (1996) stated in his famous article “What is Strategy” that a company's strategy can only be successful if it consists and aligns the company's activities in a unique way. The activities then lead to competitive advantage - a difference that it can preserve against competitors. Porter (1996) emphasizes the importance of creating unique value to customers through trade-offs and choices.

The unique value, position and competitive advantage can only be achieved by aligning the company's activities (Porter 1996, Rumelt 2012). The strategy work itself is about discovering the critical factors in a certain situation and world state and designing a way of coordinating and focusing actions to deal with those factors. Similarly, Ritakallio & Vuori (2018) points out that strategy is in fact ever changing and must be adjusted to the changes in the environment it operates in. The perfect fit of actions must be regularly examined and adjusted. This point of view of adapting to the changing world is where sustainability and environmental responsibility steps in. The following image 1 (Grant, 2021) presents the evolution of strategic management and shows how social and

environmental responsibility have become important parts of strategic management in the 2010- and 2020 century.

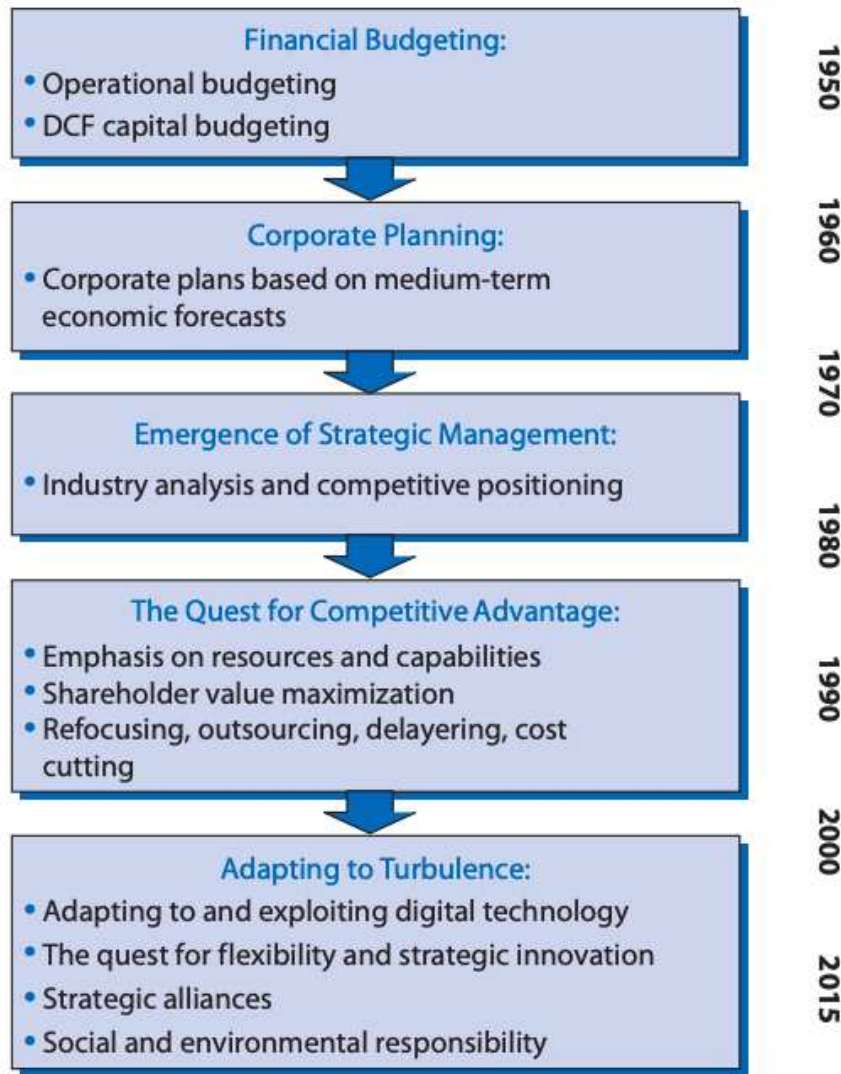


Image 1. The evolution of strategic management (Grant, 2021).

Furthermore, corporate strategy affects all levels of an organization - corporate-level strategy, which defines the organization's overall scope; business-level strategy, which focuses on specific markets or business units and functional-level strategy, which deals with operational execution (Grant, 2021).

2.1.2 Background of Sustainability

The concept of sustainability first gained bigger attention in the late 20th century, especially with the 1987 Brundtland Report, cited by Hajian & Kashani (2021), that defined sustainable development as

“development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

This perspective of sustainability includes ecological preservation, economic viability and social equity - together known as the triple bottom line (Elkington, 1997). The concept has its roots in the understanding that humans are dependent on nature and ecological systems and that over exploitation of resources leads to long-term risks.

The three dimensions of the triple bottom line are not separate, rather interrelated. Achieving sustainability requires integrated actions that balance possible competing priorities. For businesses and organizations this means practices such as reducing carbon footprints, ethical labor practices or ensuring financial transparency. However, this thesis focuses on environmental sustainability only.

Sustainability is managed through sustainability goals that can be described as specific and actionable targets that organizations set themselves to operationalize the principles of sustainability. These goals often align with global frameworks such as the United Nations Sustainable Development Goals (SDGs), which include 17 different objectives addressing issues like poverty, climate actions and gender equality (Dahlsrud, 2008). Out of the 17 objectives 7 goals are related to climate or environmental sustainability.

Organizations typically develop sustainability goals that are tailored to their industry, operational scope and stakeholder expectations. Examples include carbon neutrality: achieving net-zero greenhouse gas emissions by a specific date (Elkington, 1997),

circular economy: reducing the amount of waste through reuse, recycling and sustainable product design (Grant, 2021) and social equity: advancing diversity, equity and inclusion in the workplace and supply chains (Dahlsrud, 2008). By embedding for example these goals into their corporate strategy, organizations can demonstrate their commitment to sustainable development, reduce risks and improve their reputational value in the long-term.

For Finnish companies, the EU is a major driver for setting sustainability goals. The legislation is ever tightening and requires compliance. At the end of 2025 there were multiple different directives affecting Finnish companies and requiring sustainability related actions.

These concepts of corporate strategy and sustainability together emphasize the fact that there is an increasing need to pay attention to sustainability practices in order to achieve long-term business success. Corporations are increasingly expected to not only generate shareholder value but also take into consideration broader societal and environmental concerns over a long time period. This then again was the starting point for “corporate sustainability” - a company’s commitment to operate in ways that enhances not only societal well-being but also minimizes negative impacts on the environment, society and the economy (Dahlsrud, 2008).

2.2 Environmental sustainability in business

The role of environmental sustainability has grown significantly in the past few years as the sustainability requirements of stakeholders such as investors, customers and regulators have tightened. However, it is not a totally new phenomenon. Freeman included the environment as one of the stakeholders in his “Stakeholder Theory” already in 1984 and Hart introduced the theory of “A natural resource-based view of the firm” in 1995. The roots date back even further. While Freeman emphasized the need to notice the environment in business, Hart's theory introduced three concrete

environmental strategies, pollution prevention, product stewardship and sustainable development (Hart, 1995) that ought to be taken in consideration as part of a company's strategy. Similarly, Porter and Kramer (2006) introduced a framework of Strategic CSR and later in 2011 the concept of Creating Shared Value (CSV) where the idea is to include sustainability into strategy.

2.2.1 Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) refers to a company's commitment to operate in ways that enhances not only societal well-being but also minimizes negative impacts on the environment, society and the economy. At its core, CSR's idea is that businesses have much bigger responsibilities than profit-making. The responsibilities include ethical code of conduct, social contributions and environmental efforts (Weder & Stranzl, 2025).

Freeman's Stakeholder Theory (Freeman, 1984) emphasizes that companies should address the needs of all stakeholders, including customers, employees, communities and the environment. This perspective has shifted the focus of businesses from purely shareholder interests to wider societal impacts. It has set the groundwork for the current CSR practices. CSR enhances corporate reputation and adds long-term value by ensuring the trust and loyalty of stakeholders (Dahlsrud, 2008).

According to Dahlsrud (2008) CSR includes four dimensions: stakeholder, social, economic, voluntariness and environmental. Over the years, as environmental concerns such as climate change and biodiversity loss have grown, CSR has increasingly focused on environmental sustainability. As mentioned earlier, this thesis concentrates on environmental sustainability and thus only on the environmental sustainability aspects of CRS as well.

Environmental sustainability has become a foundation of CSR in the 21st century (Sarfraz, 2023). Businesses are increasingly expected to adopt practices and take actions that reduce their environmental footprint. This shift is driven by regulatory pressures as governments and unions worldwide apply stricter environmental laws, such as carbon taxes and emissions standards. The market demand is changing and consumers are increasingly selecting sustainable products and investors favor companies with strong environmental focus. Furthermore, frameworks such as the Sustainable Development Goals of the UN (SDGs) and the Paris Agreement are increasingly influencing corporate behavior (Weder & Stranzl, 2025).

Porter and Kramer proposed that instead of charity, organizations should use “Strategic CSR”. This framework requires managers to identify "points of intersection" between the business and society. The focus should be on social or environmental issues that specifically affect a company's ability to compete. Furthermore, Porter and Kramer’s concept of Creating Shared Value (CSV) (Porter & Kramer, 2011) links CSR directly to competitive advantage. The authors present that tackling environmental challenges can simultaneously provide economic opportunities for businesses (Porter & Kramer, 2011). For example, improving energy efficiency benefits the environment as well as reduces costs.

2.3 Aligning corporate sustainability with corporate strategy

Integrating corporate sustainability and thus environmental sustainability into strategic management is inevitable these days. This chapter begins with reasoning for aligning sustainability with corporate strategy. It continues to elaborate the parts of strategic management where sustainability can be added and finally goes through the roles of different organizational levels in aligning sustainability with corporate strategy.

2.3.1 Reasons for integrating sustainability into corporate strategy

There are several reasons why integrating corporate sustainability into corporate strategy is favorable. In their comprehensive literature review Engert et al. (2016) present that there are both internal and external drivers explaining why the integration of corporate sustainability into strategic management is important. These drivers are:

Legal compliance: the legislative pressure varies across industries and locations.

Competitive advantage: Assuring sustainability goals are part of the company's vision, culture, governance, management and performance systems are a base for competitive differentiation. Requires corporate sustainability to be a coherent and integrated part of business strategy as opposed to separate and disconnected sustainability actions.

Cost reduction: depending on the chosen corporate sustainability and corporate strategy the effects may also be an increase in costs or costs remaining stable.

Economic performance: Similarly as in the previous point, the effect on financial performance can be positive, negative or neutral depending on the chosen sustainability actions.

Innovation: It is stated that achieving competitive advantage related to corporate sustainability is not possible without innovation. "Innovations are supported by the integration of corporate sustainability and vice versa" (Engert et al. 2016).

Social and environmental responsibility: These topics are highly linked to meeting the expectations of global stakeholders. Especially social responsibility is seen as a win-win strategy, where a company can have a good social impact while performing financially well.

Risk management: sustainability risk management is crucial as it is seen to exceed the requirements of legal and compliance liabilities. Reducing environmental risk should play an important part in strategy formulation.

Corporate reputation: “A strong reputation is widely acknowledged to be the most valuable asset of a firm, and sustainability has become an important component of corporate reputation” (Engert et al. 2016). A good reputation may also increase employee satisfaction and improve access to human capital.

Quality management: quality in this context refers to not only the quality of products and services but also to a more broader understanding of the quality of life for people now and in the future. The idea is that companies and organizations should be able to retain or increase the quality of life for future generations. Engert et al. (2016)

In addition to the previous factors, sustainability-based differentiation can benefit a company by better access to finance, higher employee engagement and for example easier access to international markets.

2.3.2 The role of different organizational levels

Research shows that each organizational level has a distinct and crucial role in achieving sustainability goals (Eccles et al., 2014 & Busch et al., 2020). In this thesis the different organizational levels include top executives, middle managers and the operational staff.

Executives are responsible for setting the vision, embedding sustainability into corporate strategy, setting the sustainability goals and in the big picture making sure of the resourcing. (Eccles et al. 2014; Hoffman & Henn, 2008)

Middle managers' role in cross-level alignment is extremely important as their responsibility is to communicate sustainability from the executives to the operational

level. Floyd and Wooldridge (1997) presented a view that middle managers are not only passing forward the executive directives but actually shape what strategy becomes in practice. They suggest that the success of a sustainability strategy depends on whether middle managers interpret it as aligned with the operational pressures they face in their daily work. Balogun and Johnson (2004) call this the sensemaking burden: the middle managers must interpret strategic intent that is often expressed in very abstract terms. Furthermore, they have to share the information forward to the operational level.

Adding the challenge to the situation is the often varying demands middle managers receive from executives and operational level. While executives expect efficient implementation of sustainability strategy, operational staff expect realistic possibilities for execution.

The operational staff is in a crucial role in the implementation as well (Engert et al., 2016) and they are responsible for actually upholding the daily tasks that further the sustainability goals. All in all, sustainability issues ought to be included in the daily routines and tasks.

Researchers have recognised the important role of each organizational level in sustainability implementation and list communication and alignment (Eccles et al., 2014) and organizational structures and roles (Busch et al., 2020) as important building blocks for success. Furthermore, it is clear that academia emphasizes the role of middle managers that operate in between executives and operational staff and that carry the sensemaking burden.

2.4 Challenges in aligning environmental sustainability with business practices

Integrating sustainability into corporate strategy is a complex and multidimensional topic and it includes several challenges. In fact, Smith and Lewis (2011) have presented a paradox perspective based on findings where economic and environmental goals do not naturally align. This perspective acknowledges that organizations must simultaneously tackle competing and interrelated challenges when sustainability is aligned with corporate strategy. Smith and Lewis (2011) identify four types of organizational paradoxes that arise during strategic processes: performing, organising, learning and belonging paradoxes. The performing paradox arises from conflicting goals and stakeholder demands between economic stability and environmental targets. Similarly, Hoffman and Henn (2008). Organising paradox includes conflicting needs for structure and processes related to top level sustainable compliance but also day to day work. The learning paradox includes the challenges related to the tension between current routines and the need for new patterns and operating models. Belonging paradoxes occur when there is a conflict between individual identities and the organizational values and actions.

Furthermore, Hahn et al. (2015) have presented an integrative view to business cases where these conflicting demands are analysed rather than ignoring environmental issues if they do not align with financial benefits. Similarly, Van der Byl and Slawinski (2015) provides a systematic framework for analysing tensions across three different levels: individual, firm and systemic.

Engert et al. (2016) identify challenges related to communication within companies. They argue that in order to gain company wide commitment to corporate sustainability it has to be integrated through a strategic approach. The company wide perspective includes normative, strategic and operational level. (Engert et al., 2016) Furthermore, Weder and Stranzl (2025) argue that “organizations often underestimate the

transformative power of internal communication and specific communicators in terms of sustainable change”.

The integration and alignment may require significant changes in the existing practices, the leadership, the way collaboration between departments are carried out, the performance measurements and how sustainability is communicated internally. These changes require time as well as financial and human resources. Furthermore, change is often followed by change resistance which is also a form of challenge when sustainability goals are aligned with strategy and sustainability practices are adopted (Baumgartner, 2014).

2.5 Ecological fallacy in Strategic Management

Bansal et al. (2024) presented a point of view of “Ecological fallacy” in strategic management. The point of view is an answer to the increasing concern on how business activities are ever growingly consuming natural resources and taxing the natural environment. According to the article the current strategy paradigm and the strategy frameworks do not take into consideration the environment in the best possible way. In the current strategy paradigm, success is measured through competitive advantage that means greater profitability and returns than rivalries. Bansal et al. (2024) notes that the paradigm has only recently started to shift towards taking a wider range of issues into consideration. These issues are for example “environmental crises, externalities, monopoly power abuses, reduced prosperity, failure to innovate, and unjust distributions of burdens” (Bansal et al, 2024).

In theory, the fallacy occurs when macro-level assumptions and principles are used on a firm level of analysis. Bansal et al. (2024) presents the issue as follows:

“The prevailing Strategy paradigm unwittingly commits the ecological fallacy by applying macro-level considerations, such as economic efficiency and social welfare, to the firm level of analysis, and by assuming that aggregating the effects of firm-level actions contributes to overall economic efficiency and social welfare.”

This theory can be applied to the firm level as well as strategy itself is a multi-level phenomenon. The basic assumption that strategic intent that is first decided on at the executive level will translate downward into suitable operational behaviour has the same structure of the ecological fallacy but in an inverse form. This means that in strategic sustainability management it is assumed that what is true of the organization as a whole is also true for its components as well. One research question of this thesis is to find out whether this assumption is true: is there proof of ecological fallacy on a company level.

2.6 Synthesis of the integration of Strategy and Sustainability

According to the literature review the possibility of taking environmental issues into consideration within corporate strategy has been there for years. Furthermore, the role of sustainability has increased during the past few years due to increasing demands among different stakeholders. Academia such as Porter and Kramer (2006 & 2011), Smith and Lewis (2011) as well as Hahn et al. (2015) have presented multiple options on how sustainability ought to be included in corporate strategy.

However, it has also been argued that the current strategy paradigm and strategy frameworks still emphasizes profitability and returns above all else, which ought to be changed. Bansal et al. (2024) presented a point of view of “Ecological fallacy” in strategic management where macro level intentions do not translate into micro level actions as wrongful assumptions are made. In theory, the fallacy occurs when macro-level assumptions and principles are used on a firm level of analysis.

Given the point of view of ecological fallacy, the multiple challenges related to the alignment and the versatile roles of different organizational levels, this thesis makes the following proposition:

Proposition 1: The ecological fallacy exists on a company level and the understanding of alignment weakens as we go down the organization's hierarchical ladder.

3 Methodology

3.1 Research strategy and method

This thesis is done as a quantitative research, focusing on survey-based data collection to better understand the alignment between corporate strategy and sustainability goals across different organizational levels. The research aims to recognize existing patterns of how deeply sustainability goals are understood by involving professionals from various industries in Finnish companies. Due to the low number of respondents this research is descriptive rather than inferential. The thesis aims to prove certain trends and patterns may exist but is not able to suggest any actual phenomenon.

The study has characteristics of a mixed-method design as one open-ended survey question is analysed qualitatively. Yet the main focus is on quantitative, statistical analysis.

The study gathers insights from a diverse pool of respondents from Finnish companies. The respondents represent different organizational roles - operational staff, specialists, middle management and executives in different industries and companies. By contacting suitable respondents through LinkedIn, the study ensures the quality of the respondents and enables the collection of data from participants with varied experiences and perspectives.

The survey method was chosen in order to gather versatile insights. Collecting data from multiple companies allows a comprehensive view of how sustainability and strategy align across industries in different organizational levels. This makes the findings more generalizable. This approach also identifies challenges and variations in implementation on a common level.

Using LinkedIn connections to find survey participants enables access to professionals across industries and roles without needing formal partnerships with companies. This way of gathering data provides a ready network of suitable respondents that can answer anonymously in 5 to 10 minutes.

In order to ensure the proper amount of responses the survey was not limited to a certain industry. Thus, a high number of employees from different Finnish companies were contacted. The industries of the companies range from finance, insurance, manufacturing, consulting to health care. The respondents are all operational staff, middle managers, executives or in specialist roles in ESG.

3.2 Survey design

The survey consists of five obligatory questions and one optional open-ended question and it is designed to take 5–10 minutes to complete. The survey was distributed to suitable LinkedIn connections in order to reach broad professional networks to maximize participation while simultaneously making sure that the quality of respondents fit the purpose.

The first part of the survey includes basic information on the respondents role and company, followed by a question regarding the link between sustainability and corporate strategy in the company.

The fourth question includes seven propositions regarding the participants' understanding of both the sustainability goals and corporate strategy of the company, their mutual alignment, the communication of and commitment to sustainability goals and finally the possible trade-offs between sustainability goals and operational priorities. The scale of answering is provided in five stages and the possibility to answer “I don't know / No ability to answer” that was not included in any averages on the analysis phase:

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree
- I don't know / No ability to answer

This is followed by a multiple choice question on the possible challenges faced by the respondent in aligning sustainability goals with their day-to-day work. As many selections as necessary could be done. The response options were selected based on the literature review and included:

- Lack of clarity in sustainability goals
- Limited resources or support
- Conflicting priorities with other business goals
- Lack of training or knowledge
- Lack of support from leaders
- No ability to answer

Also, the opportunity to select “Other” and include an alternative challenge outside the list was made possible.

The last open-ended optional question allowed the respondents to present possible changes that could improve the alignment of sustainability goals with corporate strategy in their organization.

The survey included a brief introduction explaining the study’s purpose and ensured anonymity to promote honest and unbiased responses.

3.3 Data analysis

The collected data was analyzed quantitatively using statistical analysis to identify patterns, trends and relationships between the variables. Descriptive statistics provides an overview of the respondents' roles, industries, and understanding of corporate strategy and sustainability goals. Comparative analysis enables exploring the differences in responses across organizational levels and industries.

Furthermore, a correlation matrix was carried out in order to find whether there are correlations between the variables and the alignment of sustainability goals and strategy. A gap analysis further elaborated the relationship of the variables on different organizational levels.

The optional open-ended question was analyzed qualitatively to recognize recurring themes and additional insights that complement the quantitative findings.

3.4 Data limitations

The data faces several and severe limitations that affect the coverage and reliability of the research. The limitations are all related to the number of respondents that limit the amount of responses per organizational level. Furthermore, the amount of responses limits the possibilities to draw conclusions on the differences between different industries. Thus, the analysis has to be perceived on a general level.

4 Findings

4.1 Introduction to the Findings

The findings chapter is divided into seven sub-chapters. First, there is additional information on the respondents: the industry they represent and the position they work at. The survey findings are elaborated in a chapter on understanding of the link between corporate strategy and sustainability followed by communication and commitment of sustainability goals. The challenges in aligning sustainability with strategy is processed in this chapter before a more profound correlation analysis. The optional open-ended responses were analysed qualitatively before a synthesis of the findings.

4.2 Profiles of the respondents

The survey included 19 respondents from 15 different Finnish companies. The respondents work in various different industries including manufacturing, finance, consulting, real estate, energy, insurance, health care and law. Figure 1 presents the distribution of industries within the respondents.

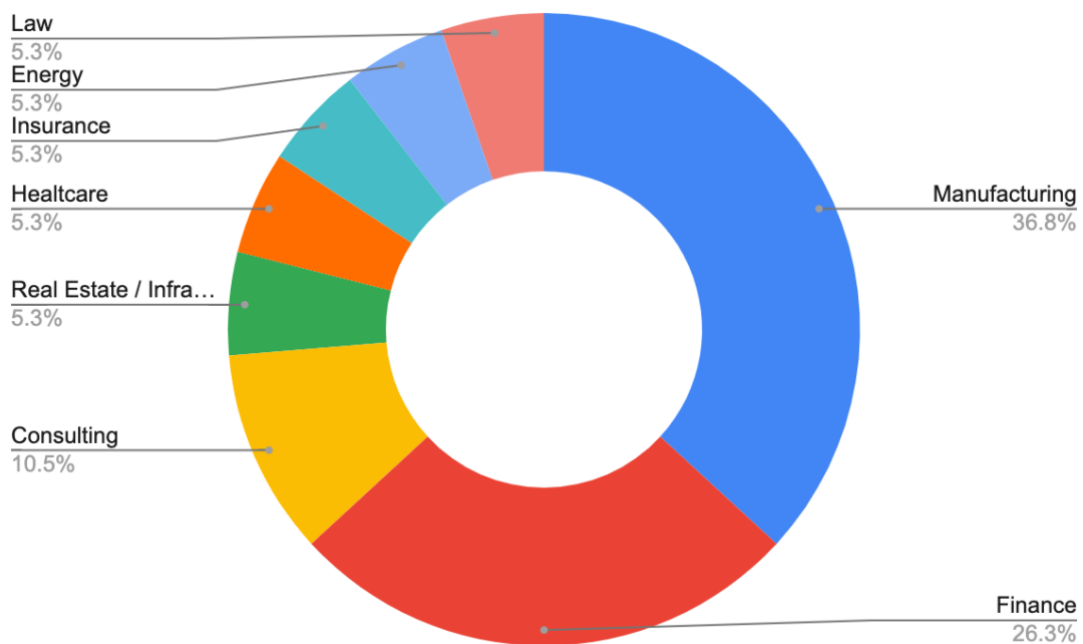


Figure 1. The distribution of respondents by industry.

Manufacturing is the most widely represented industry. Seven respondents (36,8 %) work in the manufacturing industry within five different companies. All of these companies are Finnish companies that operate multi-nationally. The amount of employees range from 2500 to over 20 000.

Finance is the second largest industry represented (26,3 %) with five respondents from three different companies. Consulting includes two respondents and all the other industries include one respondent.

Furthermore, due to the rather low number of respondents per industry other than manufacturing, it is not statistically suitable to analyze the survey results by industry.

More important for this research is to understand the distribution of different roles of the respondents and in which organizational levels they work in. The following figure presents the distribution of the organizational levels of the respondents.

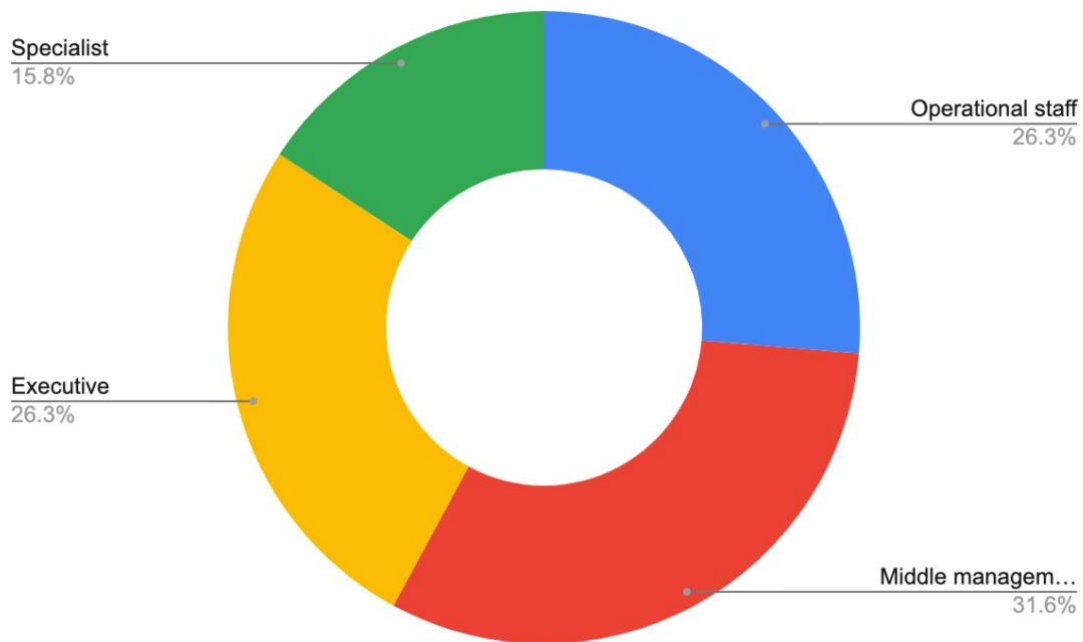


Figure 2. The distribution of the operational level of the respondents.

The distribution of the different organizational levels is rather even. Six (31,6 %) of the respondents operate as middle managers, 5 (26,3 %) as operational staff and 5 (26,3 %) as executives. Three (15,8 %) respondents operate in specialist roles related to sustainability.

4.3 Understanding the link between Corporate strategy and Sustainability

The study shows that on a scale from 1 to 5, where 1 is “Strongly disagree” and 5 is “Strongly agree” all respondents mainly agree or strongly agree on understanding their corporate strategy, sustainability goals and sees the alignment with these two.

The thesis on understanding strategy: “I understand my company’s overall strategy” receives an average score of 4,8 among all respondents. Thus, almost all respondents, regardless of their position, strongly agree that they have a good understanding of their

company's strategy. The score is highest among the executives and the specialists who all strongly agree with the thesis and the score decreases to 4,7 among middle managers and further to 4,4 among operational staff.

Similar degrading figures can be seen with the thesis "I understand my company's sustainability goals." Respondents in specialist roles have the best understanding of the sustainability goals. All of the respondents responded "Strongly agree". This is no surprise as the three specialists specialize particularly in sustainability. Executives scored 4,8, middle managers clearly lower 4,2 and operational staff yet again clearly lower 3,6. The overall score among all respondents was high, 4,4.

The understanding of the alignment of corporate strategy and sustainability goals was studied through the thesis: "My company's sustainability goals are aligned with its overall corporate strategy." This thesis scored the same degrading responses as the previous theses. Specialists scored 5, meaning they strongly agree that there is alignment, executives scored 4,6, middle managers scored 4,2 and operational staff scored 3,8. The overall score among all the respondents was high, 4,4.

The results show that on average all of the respondents agree or strongly agree on understanding their company's strategy, agree or strongly agree on understanding their company's sustainability goals and finally also agree or strongly agree on the alignment of sustainability goals and their corporate strategy. Furthermore, the understanding slightly decreases as we move down on the organizational level.

The following figure presents the average responses to the theses regarding the understanding of sustainability goals and corporate strategy.

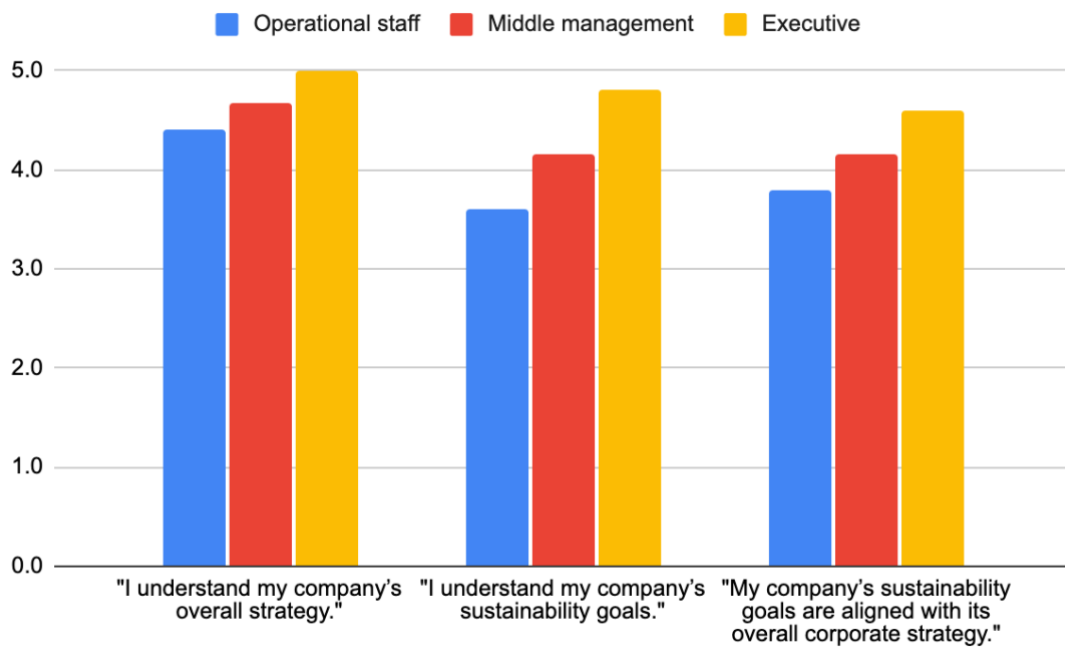


Figure 3. Survey responses on different organizational levels.

The research indicates that both strategy and sustainability are well understood among respondents and that sustainability is in fact integrated into strategy. No one chose to answer “I don't know / No ability to answer” which highlights the high level of understanding on the topic among respondents.

Out of the respondents 14 stated that sustainability and sustainability goals are integrated into their corporate strategy. They chose the answer “Sustainability and sustainability goals are integrated into our corporate strategy” when asked how sustainability and sustainability goals are positioned in their company. Four respondents chose the answer “Sustainability goals exist but are separate from the company’s corporate strategy.” One respondent that operates as operational staff chose the answer “I don't know / No ability to answer”. This indicates that all in all there is a good understanding on how sustainability goals are positioned in the companies.

Furthermore, the understanding of the sustainability goals and the alignment of corporate strategy and the sustainability goals are higher among the respondents that

operate in a company where sustainability goals are integrated into strategy. The following figure shows the responses to the same three theses distributed to companies with integrated and separate positioning of sustainability.

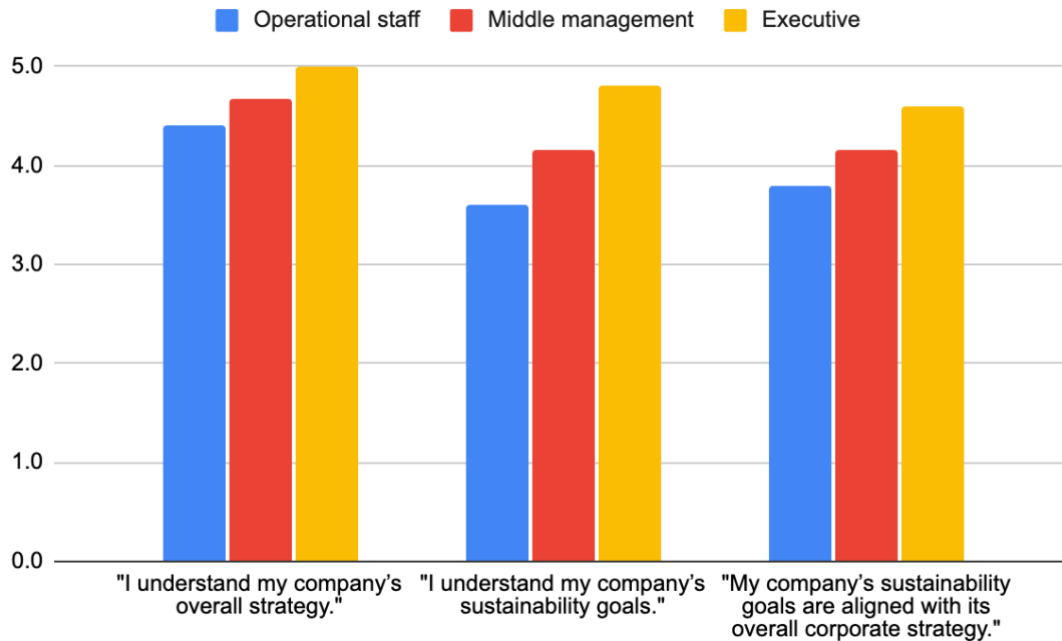


Figure 4. Survey responses based on different sustainability positioning in the respondents company.

4.4 Communication and commitment of sustainability goals

The communication and commitment of sustainability goals is studied in the survey via three different theses:

- My company's sustainability goals are clearly communicated to me
- Sustainability goals are regularly discussed in my department/team and
- My department's/teams overall commitment to sustainability is high

The same aforementioned scale from 1 to 5, where 1 is "Strongly disagree" and 5 is "Strongly agree" is applied to these theses. The responses to these theses show more

variation than the previous three. The average scores within the organizational levels range from 2,4 to 5,0. All in all the average stands at 3,8 meaning that the respondents are neutral or agree with the theses. Yet again, the study shows that the specialists scored the highest scores within these theses related to understanding, communication and commitment of sustainability goals. The scores then slightly decreased to executives and then clearly drops to managers and further to operational staff.

The thesis on clear communication on sustainability goals: “My company’s sustainability goals are clearly communicated to me” receives an average score of 3,9 among all respondents inferring that on average the respondents agree with the statement. However, the average responses of different organizational levels range between 2,6 (disagree/neutral) and 4,7 (agree/strongly agree). The score on clear communication on sustainability goals is highest among the specialists (4,7) and a bit lower among executives (4,4). On average middle managers have a neutral standing or agree on the statement (3,8). The average score decreases significantly among operational staff (2,6). This means that on average the operational staff feels that the sustainability goals are not clearly communicated or have a neutral standing on the statement. The difference between the executives and operational staff is notable.

The same descending trend from specialists to executives and then to middle managers and operational staff can be seen in the responses regarding the statement “Sustainability goals are regularly discussed in my department/team”. Respondents in specialist roles agreed or strongly agreed (4,7) with the statement. This is an expected response as all the specialists have sustainability related roles. On average executives agree with the statement (3,8), middle managers have a neutral standing or agree with the statement (3,5) and operational staff disagree or have a neutral standing (2,4). Noteworthy is yet again the clearly lower score among operational staff.

The statement “My department’s/team's overall commitment to sustainability is high” scored an average of 3,8 among all the respondents. Again, the same descending scores

apply. All specialists strongly agree (5,0) with the thesis, on average the executives agree with the statement (4,0), middle managers agree or have a neutral standing (3,5) and operational staff have a neutral standing (2,8).

In all theses related to the communication and commitment of sustainability, the same descending level of agreement can be seen between the different organizational levels. The following figure illustrates that the operational staff does not fully agree that the sustainability goals are clearly communicated and regularly discussed and have neutral opinion on whether their team is committed to the goals.

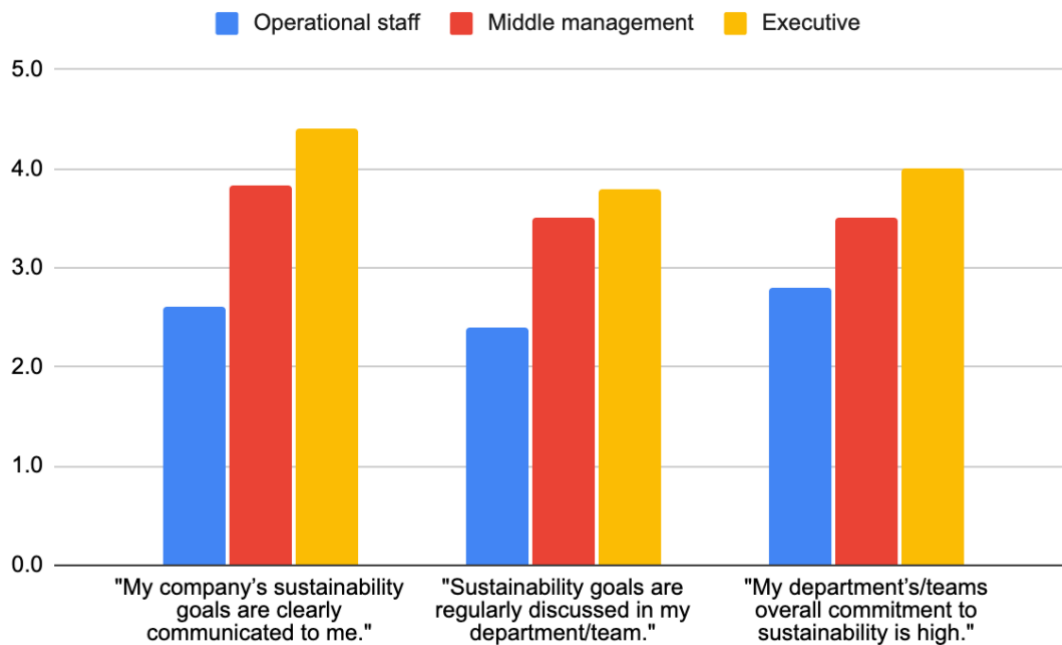


Figure 5. Survey responses on different organizational levels.

Based on the survey results, on average the respondents that work in a company that has sustainability goals integrated into their strategy agree on the statements related to clear communication, regular discussions and overall commitment to their sustainability goals. Furthermore, respondents that work in a company with sustainability goals positioned separately from the corporate strategy have a more unclear vision to these

topics. On average these respondents disagreed or had a neutral standing. The following figure shows the clear gap between the respondents.

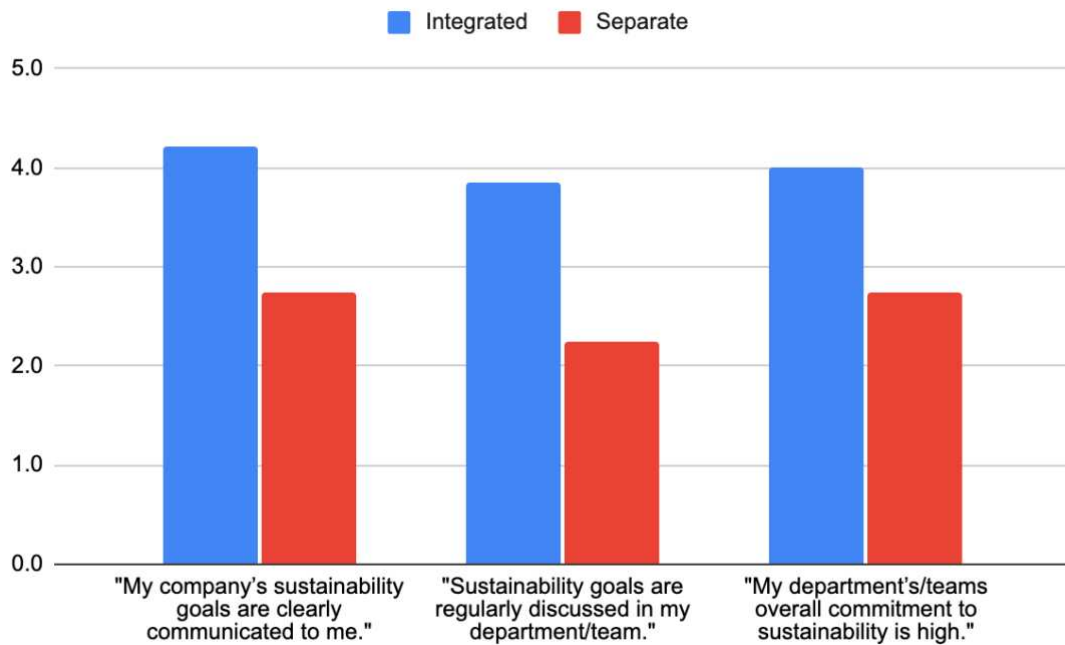


Figure 6. Survey responses based on different sustainability positioning in the respondents company.

4.5 Challenges in aligning sustainability with strategy

The survey shows that with an average score of 2,9 the respondents have a neutral standing or slightly disagree with the statement "I never experience trade-offs between sustainability goals and operational priorities." Both specialists and middle managers scored the lowest points (2,7) indicating that they experience trade-offs more than executives and operational staff (3,0).

Furthermore, when asked about the challenges related to aligning sustainability goals with the day-to-day work "Conflicting priorities with other business goals" was clearly the biggest challenge with 58 % of the respondents selecting it as one of the main

challenges. 37 % of the respondents selected “Limited resources or support” and “Lack of training or knowledge”, 26 % selected “Lack of clarity in sustainability goals”, 21 % selected “Lack of support from leaders” and finally 16 % selected “Other”. None of the respondents were unable to answer the question related to the possible challenges.

The executives face biggest challenges with conflicting priorities and limited resources or support. Executives also identified other challenges such as setting suitable objectives and monitoring them, customers’ varying interpretation of “sustainability” can vary and additionally there may be different interpretations of legislation and EU directives in different markets and countries

100 % of middle managers selected “Conflicting priorities with other business goals” as one challenge in aligning sustainability goals with day-to-day work. Middle managers selected clearly the highest amount of challenges. Half of the middle managers listed also Limited resources or support, Lack of training or knowledge and Lack of support from leaders as challenges. Company structure was raised as an “other” challenge. In bigger corporations different entities may have quite different approaches or need for sustainability goals.

Among operational staff “Lack of training or knowledge” stood out as 60 % of the respondents selected it as a challenge. 40 % selected “Lack of clarity in sustainability goals” and “Conflicting priorities with other business goals”.

4.6 Correlation of survey variables

A correlation matrix was conducted in order to find out the correlation and relationship of different variables with the alignment of strategy and sustainability goals. The following heat mapped table of the correlation statistically shows a very high correlation between communication, commitment and regular discussion and the strategy alignment. Meaning, the success of these variables have a positive impact on the

perceived alignment. Vice versa, the trade-offs have a negative correlation indicating that even if the strategy is well understood and aligned, executives, middle managers and employees still struggle with the trade-offs in reality. This is in line with the Bansal et al. (2024) article that argues on ecological fallacy: it's easy to "agree" with sustainability in theory, but the correlation suffers when hard choices (here trade-offs) have to be made.

	Alignment of strategy and sustainability goals	Clear communication of sustainability goals	Regular discussion on sustainability goals	Overall commitment to sustainability	Trade-offs
Understanding strategy	0,94	0,98	0,92	0,89	-0,30
Understanding sustainability goals	0,98	0,99	0,96	0,95	-0,37
Alignment of strategy and sustainability goals	1,00	0,96	0,98	0,99	-0,45
Clear communication of sustainability goals	0,96	1,00	0,96	0,93	-0,47
Regular discussion on sustainability goals	0,98	0,96	1,00	0,98	-0,61
Overall commitment to sustainability	0,99	0,93	0,98	1,00	-0,53
Trade-offs	-0,45	-0,47	-0,61	-0,53	1,00

Table 1. Correlation matrix on survey variables.

The results were further analyzed in a gap analysis that shows whether there is a gap between communication factors (clear communication and regular discussion) and the perceived alignment of sustainability goals and the strategy. This "alignment gap" was analysed on all organizational levels.

The analysis shows that the gap is significantly highest on the operational level. The gap between perceived alignment and clear communication is 1,2 points and between alignment and regular discussion 1,4. This indicates that the operational staff faces the largest disconnect between the communication factors and strategy alignment. They feel and believe the strategy and sustainability goals are well aligned, yet the goals are not being translated into their daily work discussions nor clearly communicated.

Executives on the other hand presented the lowest "alignment gap" in clear communication (0,2 points) and a mediocre gap in regular discussion (0,8). This suggests that while executives feel they have communicated the goals clearly, they acknowledge a lack of ongoing discussion to maintain the alignment.

Middle managers fall in between the well synchronized executives and the disconnected operational staff. The gap on clear communication for middle managers is 0,4 and on regular discussion it is 0,7. This 0,7 point gap is critical as middle managers are responsible for delivering the information on both strategy and the sustainability goals from executives to operational staff. If middle managers don't feel that discussions are regular enough, it explains why the gap for the operational level increases to 1,4.

Specialists, who all felt that the sustainability goals are perfectly in line with corporate strategy, showed an overall lowest gap of 0,3 points in both communication and regularity of it. This is no surprise as they are sustainability specialists and probably discuss the topic on a daily basis.

All in all, this analysis supports the "Ecological Fallacy" theory by Bansal et al. (2024) presented in the literature review. It shows that while the "macro" (company level) intent is high, the "micro" (operational level employee) experience is weakened by lack of clear information.

4.7 Qualitative analysis on enhancing strategic sustainability alignment

The survey included an optional open-ended question “What changes could improve the alignment of sustainability goals with corporate strategy in your organization?”. These responses were qualitatively analysed.

The eight responses provide an insight into how Finnish companies can shrink the gap between what executive level actually means by strategy and how operational level understands and executes it. The responses can be divided into three different categories: clear guidance and prioritisation, role-specific goals and understanding the external needs.

Respondents would improve the clear guidance and prioritisation of sustainability especially in relation to financial targets. Several participants suggested the integration of sustainability metrics into "incentives and reward systems." This would enable middle managers and operational staff to gain knowledge on what is expected from them.

Respondents suggested that without clear and concrete motivators, traditional KPI's often bypass the sustainability goals. As one respondent noted, linking sustainability to incentives provides the "concrete guidance" that is necessary for stakeholders understanding.

The data reveals a need for converting abstract corporate goals (e.g., carbon neutrality) into functional tasks that can be linked to certain roles and positions. Respondents highlighted that alignment could be increased by connecting understandable business goals into "individual roles." Specific recommendations included adding sustainability metrics alongside traditional productivity tools, using "regular information sharing, practical examples, and rules" rather than high-level rhetoric and establishing "regular (yearly) checks on an individual level" to ensure that the environmental impact of specific tasks is recognized and managed. This specifically could be an answer to the communication gap.

Finally, the findings emphasize the role of external stakeholders as drivers for the internal alignment. One respondent stated that if "financiers would equally demand sustainability goals from different corporate levels," it would have a "larger impact on the whole corporate strategy." However, external demand can also be seen as a challenge. Respondents mentioned "customers' varying ideas of sustainability" and "different interpretations of EU legislation and directives" as significant challenges.

4.8 Synthesis of the findings

Due to the very low number of respondents there is no actual theoretical contribution to be found. However, the thesis does prove that a pattern of "ecological fallacy" on a firm level does exist as the proposition on the literature review synthesis suggests. Bansal et al. (2024) described that the ecological fallacy occurs when macro-level assumptions are applied to micro-level without taking into account mechanisms and challenges of that level. In the context of this research and the firm level, the fallacy occurs as executive-level assumes that the understanding of sustainability goals automatically moves into operational performance. However, the data indicates that there is a slight difference in the understanding of strategic sustainability alignment between different organizational levels and a clear and even significant gap in how sustainability is communicated and discussed.

While executives and specialists have a high level of understanding, the operational staff showed a significant drop in clarity of communication. The gap grows significantly between middle managers and operational staff. First and foremost this seems to be a communicative problem as well as a sign of a structural challenge where sustainability is integrated into corporate strategy that answers the "where to play" question but fails to align on the business level strategy that seeks to answer the question on "how to win".

The qualitative findings have similar notions. When asked what would improve alignment, respondents answered clearer translation of the goals into role-specific tasks, integration of sustainability metrics into incentive systems and regular individual review. These findings suggest that the problem may not be strategic intent but strategic translation.

Furthermore, the data on challenges support the aforementioned findings. The fact that every middle manager in the sample identified “conflicting priorities with other business goals” as a challenge as well as the 0,7 point gap on regular discussion of sustainability may be proof of a structural problem. This means middle managers receive strategic intent from executives but fail to translate it into the daily work and decisions of the operational staff. Thus, the “where to play” decision has been made on the executive level, but the “how to win” operations such as incentives, clear responsibilities for certain roles and regular review do not support the strategy's alignment throughout the organization.

5 Discussion

5.1 Theoretical implications

As mentioned in the literature review, a very recent research of Bansal et al. (2024) suggests that there is a serious need for a new strategy paradigm that takes planetary limits in consideration as much as the companies performance and profitability in the prevailing paradigm. However, this thesis shows that there already is a strategic intent towards sustainability and its alignment with the strategy. The problem seems to be the multi-level integration of the sustainability goals throughout the different organizational levels. One might call this “Ecological fallacy within a company”.

The Gap analysis suggests that there is “Ecological fallacy” within the companies themselves: executives, who have the companies big picture represent the macro level and operational staff responsible for the daily work represent the micro level. Executives have the best understanding of sustainability goals, corporate strategy and their alignment. They also feel that they are being communicated and understood well throughout the organization. Simultaneously, the operational staff has a different view on communication and commitment. Thus, the sustainability goals related to the strategy fail to reach the lower levels of the hierarchy.

This thesis suggests that whatever the prevailing paradigm, it should be clearly communicated throughout the organization in order to be successful.

5.2 Managerial implications

The managerial implications are clear for both top executives and middle managers: leaders and managers ought to concentrate on how the strategy is translated to the operational level and the daily tasks. It should be made sure through for example

incentives, clear roles and responsibilities as well as recurring check-ups that the strategy is in fact understood similarly throughout the organization. Avoiding the communication gap in every organizational level is of course every employee's responsibility but above all the executives and middle managers.

The list of challenges related to aligning sustainability goals with day-to-day work of is also something that middle managers can deploy right away. The biggest challenge of “Conflicting priorities with other business goals” is something that first and foremost lies in the hands of the executives. Clarifying the priorities and the sustainability goals and coupling them with specific roles as well as following and monitoring the clear sustainability metrics regularly should further the success of strategic sustainability alignment.

5.3 Suggestions for future research

There are multiple options for further research that could have significant managerial implications: the actual impact of aligning strategy and sustainability goals, the alignment in different industries, the best actions for executives, managers and operational staff to ensure multi-level alignment and for example the research on the positioning and structure of companies that best support the success of strategy and sustainability goals.

The impact of aligning strategy and sustainability goals should be further researched by comparing the actual performance of different companies. This would prove whether there is a correlation between company performance and the multi-level alignment. This could also be used as a tool to study how effective a strategy has been.

The best actions for executives, managers and operational staff to ensure multi-level alignment could be further researched in order to minimize the communication gap between different organizational levels. Simply stating that communication should be

concentrated on can be difficult without data on what are the best actions to meet the needs throughout the organization.

This thesis briefly touches on the “positioning” of sustainability goals in a company. This one simple question gives an idea how sustainability goals are processed in relation to the corporate strategy. However, it fails to give a deeper understanding on how sustainability is managed in the organization. Further research on how sustainability should all in all be managed in a company in order for it to support the strategy and in order for it to meet the set goals.

5.4 Limitations

This thesis has several limitations that should be taken into consideration when the results are studied. The biggest limitation is the very generic and broad scope. The respondents' backgrounds vary across multiple different industries and different sized companies rather than focusing on a specific sector. Thus, the results lack the granularity that is required to showcase unique challenges of a specific industry. Consequently, the results should be viewed as a general framework rather than a specialized guideline for any single industry or sector.

Another clear limitation is the very limited sample size. The data provides valuable insights to the topic and shows the trends exists but now academic proposals can be made based on it. The low number of respondents also limits the ability to generalize the results. Therefore, these findings should be considered indicative rather than definitive.

Future research could address these limitations by conducting sector-specific studies with larger sample sizes to validate whether these results and trends can also be seen within a more homogenous environment.

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Appendices

Appendix 1. Survey questions.

1. What company do you work for? (The information will only be used on an industry level) *

2. What is your role in your organization? *

Mark only one oval.

- Executive/Leader
- Middle management
- Operational staff
- Other:

3. How are sustainability and sustainability goals positioned in your company? *

Mark only one oval.

- Sustainability and sustainability goals are integrated into our corporate strategy.
- Sustainability goals exist but are separate from the company's corporate strategy.
- I don't know / No ability to answer
- Other:

My company's sustainability goals are clearly communicated to me.

Sustainability goals are regularly discussed in my department/team.

My department's/teams overall commitment to sustainability is high.

I never experience trade-offs between sustainability goals and operational priorities.

5. What challenges, if any, do you face in aligning sustainability goals with your day-to-day work? (Select as many as necessary) *

Check all that apply.

- Lack of clarity in sustainability goals
- Limited resources or support
- Conflicting priorities with other business goals
- Lack of training or knowledge
- Lack of support from leaders
- No ability to answer
- Other: _____

6. OPTIONAL: What changes could improve the alignment of sustainability goals with corporate strategy in your organization?
