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# Incentives for Swedish Pharmacies' Sustainability Reporting - weak stakeholder influence and strong legal demands

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Master Thesis (RÄSM02)

Spring 2017



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# Abstract

The purpose of this thesis was to explore the Swedish pharmacy market and the potential influence different levels of legal pressure have on sustainability reporting. Interviews with pharmacy representatives and document analysis of sustainability reports and policies were combined, grounded in a constructivist perspective to analyze incentives for sustainability reporting. The data collected was thematically analyzed using concepts of power and Triple Bottom Line, internal/external incentive and level of norms. Furthermore, stakeholder theory and legal pluralism were applied to illuminate and discuss results in regards to their potential influence on sustainability reporting practice. The research found that only two of 43 pharmacy actors proved to have sustainability reports available, and two others said to start reporting this year, due to new legal requirements. All pharmacies said external incentives like customer expectations were important influencers of sustainability. Still, not until legal demands are relevant, two more decided to report. Thus, social norms are not as influential as legal norms.

As the study is limited to one industry and country, results are not representative of sustainability incentives across industries nor the EU. Still, the research offers insight in both regulatory implications, like the results of the Amending Directive 2014/95/EU, and the various influencers of corporate governance. The thesis originality and value lies in filling the gap of knowledge identified in the literature review, in regards to a lack of research on sustainability reporting in pharmacy retail. Moreover, the topic is highly relevant due to national legal changes in for instance the Swedish Accounts Legislation (1995:1554), following EU directive 2014/95/EU creating a new context for sustainability.

*Keywords* – Sweden, pharmacy retail, sustainability reporting, incentive\*, stakeholders, legal pluralism, stakeholder theory, thematic analysis.

# List of abbreviations

*Accounting Directive* – Accounting Directive 2013/34/EU

*Amending Directive* – Amending Directive 2014/95/EU

*The Commission* – European Commission

*EP* – European Parliament

*EU* – European Union

*CER* – Corporate Environmental Reporting

*CSR* – Corporate Social Responsibility

*GRI* – Global Reporting Initiative

*NPD* – New Product Development

*TBL* – Triple Bottom Line

*UN* – United Nations

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# 1. Introduction

To handle potential climate change, international initiatives for cooperation, like the Paris agreement of COP21 in 2015, is legally binding countries to limit emissions (The Swedish Government, 2015). However, not only nation states are responsible for caring for the environment; companies are also both potential polluters, and potential problem-solvers of environmental issues (Lee & Ball, 2003: 90). To legally target such companies' sustainability behavior, as they are not included in agreements similar to the one of Paris, the European Union (EU) has taken action. The EU's long-time view on sustainability as voluntary engagements for corporations, ended in 2014 with the European Commission's (the Commission) and European Parliament's (EP) passing of a directive for non-financial and sustainability disclosure (Ahern, 2016: 599). This Amending Directive 2014/95/EU will impact national legislation on non-financial reporting responsibilities for certain companies by altering the Accounting Directive 2013/34/EU (EUR-Lex, 2014). In Sweden, this has resulted in suggestions to alter laws applying to banks, insurance companies and certain other listed companies, in addition to amending the Swedish Accounts Legislation (1995:1554) (Department of Justice, 2014). The purpose of the Amending Directive is to provide share- and stakeholders of companies having more than 500 employees, with minimum-information on risks and outcomes of the operations, regarding for example environmental matters, social and employee aspects and respect for human rights. However, there is a great flexibility in regards to what to disclose and how, based on applicable guidelines (European Commission, 2016). Nonetheless, sustainability reporting has shifted from being voluntary to, in part, be legally required.

## 1.1 Defining the problem

According to Jensen (2002: 65-66), though a corporation's main purpose usually is value maximization, corporations does not decide the purpose alone. In many of today's industrialized countries, various groups and individuals are involved in the debate on corporate governance and sustainability; political, social and emotional forces are influencing the debate on corporate behavior (ibid.: 65). The negative impacts on social and environmental dimensions following industrialization and globalization, has thus resulted in an increased pressure on corporations in all sectors to report on their initiatives to prevent negative impact of the operations (Dienes, et al., 2016: 172; Kolk, 2003: 279-280). Accordingly, corporate organizations face a growing pressure from various stakeholders to do what is best for society (Ioannou & Serafeim, 2014: 8). In the light of the Amending Directive, the field for sustainability reporting move from a voluntary action to become legally required for some businesses. Still, some companies have reported prior to the legislation, based on stakeholder values and expectations (see e.g. Brønn and Vidaver-Cohen, 2009).

As sustainability becomes more important within companies and society at large, sustainability drivers become increasingly important to examine (Lozano, 2015: 32). According to International Integrated Reporting Council (IIRC<sup>1</sup>) as cited in Nazari, Herremans and Warsame (2015: 275), several professional organizations have underestimated the need to identify the external motivations. When sustainability reporting was unregulated, companies decided for themselves or were guided by stakeholder pressure. Today, more companies will be guided by legislative demands. But, what is the most pressing reason for sustainability reporting? Many customers have proven willing to pay a higher price for a product from a company that is committed to solving social and environmental matters (Bobe & Dragomir, 2010: 279). Consequently, consuming can become a political

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<sup>1</sup> The International Integrated Reporting Council, a global coalition of NGOs, regulators, companies and investors etc. Promotes corporate reporting to be the norm in mainstream business (IIRC, 2017).

choice, in which consumers use their financial power to “vote” for sustainable and responsible corporations (Buhmann, 2006: 190). Thus, by exposing and questioning what some consider to be morally questionable behavior, certain stakeholder groups can hold corporations responsible, even when the corporation have no legal obligation to act differently. Stakeholder influence has, thus, in some instances had major impact on corporate sustainability behavior (e.g. Brønn & Vidaver-Cohen, 2009; Buhmann, 2006) and such influence in relation to legal development is of interest.

Pharmaceuticals are one of the most lucrative product groups in the world, but due to for instance chemical use it poses potential risk to environmental values (Page, et al., 2015: 19). Furthermore, pharmacies are fundamental parts of the public health system and a retailer most will use at some point, constituting an indispensable industry for global wellbeing and health (Berete, 2012: 4). The pharmacy industry won the Swedish Sustainable Brand Index for industries in 2016 and 2017, and is considered highly committed to sustainability work (Sustainable Brand Index, 2016: 18; Sustainable Brand Index, 2017: 20). However, the pharmaceutical industry is also often distrusted by the public in the West (Esteban, 2008: 78), and therefore have a potentially great stakeholder pressure in regards to sustainability even prior to legislation.

### **1.1.1 Purpose and research questions**

The research aims to explore the various incentives for sustainability reporting and to what extent reporting is potentially influenced by different levels of legal pressure within the Swedish pharmacy industry. Investigating how specific industries relate to legal and social norms may provide awareness of how they are governed in regards to sustainability and create sustainability efforts. The purpose of this thesis is thus to examine the role of different forms of law in the creation of sustainable business. Based on the general aim, the following research questions are thought to provide useful knowledge regarding the practice of sustainability reporting within said area and what guides such reporting:

1. What are the incentives for sustainability reporting in the Swedish pharmacy industry?

The first question is further advanced by two sub-questions:

- How does the industry define sustainability?
  - Which are the industry's relevant stakeholders?
2. Do external incentives impact the industry's sustainability disclosure, and if so how?
  3. Do various forms of legality influence the industry's sustainability reporting practice, and if so which?

The research questions will be answered by conducting interviews and document analysis. The data will be analyzed and coded based on theoretical concepts of power, legal pluralism and stakeholder theory, as well as themes identified in previous research. The findings will also be related to those of previous literature.

### **1.1.2 Disposition**

The thesis will begin by providing a literature review. The review sets the context of previous knowledge and identifies the knowledge gaps intended to be filled, i.e. that of sustainability in pharmacy retail. Thereafter, interviews and document analysis as methods of data collection will be presented and discussed, followed by a chapter on the thematic methods for data analysis. The fourth chapter will discuss chosen theories, which are stakeholder theory, legal pluralism and power, and their relation to the thesis and the analytical framework based on themes identified in theories and literature. The presentation and discussion of results show a lack of legal pluralism and that the Swedish pharmacy market is not as socially guided in sustainability as previous research found other markets to be. The thesis concludes with a section summarizing the main findings and providing ideas for future research on the topic, such as a more research on why certain industries are more legally guided than others in sustainability efforts.

## 2. Literature review

The purpose of this literature review is to identify potential research gaps and to set the context of the thesis in the already existing body of relevant knowledge. In addition, the review aims to provide the reader with background information. To narrow the focus, the following review was initiated by looking at sustainability reports from a pharmacy to find relevant themes and terms for the field.<sup>2</sup> Terms not found in reports, but in the general societal discussion and in previous experience, were also deemed relevant.<sup>3</sup> Such terms were used as keywords in various combinations to search databases like EBSCOhost and Google Scholar.

The literature and its findings is presented in various sub-chapters. These chapters represent what is prevalent in the existing knowledge, and situates the thesis in regards to previous findings on driving forces and Corporate Social Responsibility's (CSR) relation to law. The review concludes with called for future research and how the thesis relates to this.

### 2.1 Findings in previous literature

The following three headings will present and discuss the main findings of previous research on the field of sustainability reporting, to set the context and identify a potential knowledge gap. Initially, main themes identified in the research on sustainability work and reporting within corporations are discussed. Subsequently, a section on sustainability within the pharmaceutical industry presents CSR

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<sup>2</sup> environment, stakehold\*, customer, CSR, sustainability, report\*, retail, TBL, pharmacy etc.

<sup>3</sup> motiv\*, law, drivers of sustainability, incentiv\*, pharmaceutic\*

research made in the pharmaceutical sector in general, as little research on pharmacies and CSR were found.

### **2.1.1 CSR: voluntariness and law**

Within in the EU, initiatives for CSR was long considered voluntary, mostly guided by social rather than legal incentives. The lack of EU regulation left companies essentially free to decide on their commitments themselves (Ahern, 2016: 600). The voluntariness of CSR is criticized for not being resilient enough in a potential market recession or efficient enough to encourage “good” companies and punish “bad”. In addition, some fear that voluntary CSR will prevent new legislation to develop (McBarnet, 2009: 23, 25). Furthermore, some question how voluntary CSR ever was; since the start, it has been economically and socially driven (ibid.: 4). The question is if CSR truly is voluntary or if social and financial demands are steering it, as well as if businesses prefer legal or social governance. Business is commonly presumed to prefer soft law and resist growing regulation on social and environmental matters. Nevertheless, Gjølborg (2011: 1, 14) found a widespread skepticism towards the effectiveness of CSR and other voluntary initiatives. Most of the respondents, i.e. Nordic companies’ CSR managers representing the company belief, preferred increased legislation to guide work and improve environmental performance (ibid.). Ioannaou and Serafeim (2014: 11) investigated the impact such non-financial disclosure regulation had on reporting; it improved both sustainability initiatives and reporting (ibid.: 3, 21-24). This corresponds to Ahern’s (2016: 601) findings of the Amending Directive being a regulatory driver for transparent reporting on sustainability.

Buhmann (2006: 187, 190-193) also investigated the relationship between law and CSR, discovering that CSR functions as informal law. Consequently, the findings indicated social norms rather than state law to influence CSR practice and reporting. In addition, social norms can form state law in time (ibid.). Similarly, Brønn and Vidaver-Cohen (2009: 93), found the legal system one of several influencers on corporations; socio-cultural norms result in behavioral expectations amongst

customers and clients that inevitably guide the organization's practice. This was also concluded by McBarnet (2009: 62): "Law is not just a tool of government, and governmental regulation is not the only way to try to control business through law." Thus, civil society's involvement and pressure on companies' CSR is, in part, a result of the void in legislation but also a form of law itself (ibid.: 48). These findings suggest a pluralism in what guides sustainability work; social and legal norms.

### **2.1.2 Incentives for reporting**

Alblas et al. (2014: 514) identified law and regulation as important external driving forces, but also found customer demands and environmental interest groups to be fundamental incentives and influencers. However, they also found external pressures and incentives to sustainability work usually unclear or absent in the experience of companies (ibid.: 530), which is confirmed by findings on voluntary reporting in New Zealand (Dobbs & van Staden, 2016: 453). Still, others found reporting behavior of any company likely to adapt to the requirements of their corporate and social context (Dienes, et al., 2016: 172). Nevertheless, the incentives identified in available literature for sustainability work and reporting are numerous. For example, Brønn and Vidaver-Cohen (2009: 94) found that some of the fundamental motives for engaging in sustainability are ethical, instrumental, internal or external values. Instrumental motives often stem from increasing profit, whilst ethical motives are altruistic. Some companies consider improved profitability the sole motivation for sustainability initiatives, whilst others consider all environmental improvements that does not risk the existence of the company necessary (Molthan-Hill, 2015: 81, 84). In line with the instrumental and internal motives, Avery (2015: 44-46) found engaged boards and collaborative partnerships central.

In contrast to Avery's (2015) view on boards and partnerships as fundamental, other researchers found external driving forces crucial, such as stakeholder expectations along with improved image and reputation (Brønn & Vidaver-Cohen, 2009: 99-

102; Graafland, 2002: 294; Molthan-Hill, 2014: 292). Other incentives are risk management, competitiveness and legislation. Important driving forces can also be identified as the brand's reputation and equity (Gjølberg, 2011: 11; Lozano, 2015: 32, 35). Additionally, ethical behavior, avoiding future regulation and maintaining competitive strength are external motivations (Brønn & Vidaver-Cohen, 2009: 99-102; Lozano, 2015: 36).

McBarnet (2009: 8, 30) identified global non-governmental activity as a key driver for today's CSR movement and found social forces to interact with law in creating complex forms of governance. Similarly, Buhmann (2006) identified norms as a type of informal and, at times, pre-formal law. Therefore, norms are considered important driving forces of CSR work and reporting. Such norms cannot be pinpointed to a special interest group or actor. Rather, such norms come from a variety of stakeholders; e.g. state agencies or consumers. However, it is not the corporate sector alone that sets the agenda, but external influencers (Buhmann, 2006: 190); "Stakeholders are important in a multiplicity of ways – to the development of norms, the enforcement of norms, the revision of norms and the influencing of company behaviour." (Ahern, 2016: 625).

### **2.1.3 CSR in pharmaceutical retailing**

Research on pharmaceutical retail and CSR proved challenging to find and the available literature tend to focus on pricing and availability (Waning, Maddix & Soucy, 2010: 5-6), too narrow a focus for this thesis. However, a little more literature on sustainability in the general pharmaceutical industry was available, and will be the focus of this section.

The pharmaceutical industry is known for high returns in profit to shareholders, but their performance regarding environmental and social issues is controversial. The industry is known for being potentially harmful to the environment and at times non-compliant to regulation and legislation (Page, et al., 2015: 19, 28). Simultaneously, the pharmacy industry is leading the sustainability index in

Sweden based on consumers' experience of businesses (Sustainable Brand Index, 2016: 18; Sustainable Brand Index, 2017: 20), an interesting contradiction.

Page et al. (2015: 19, 28) found some American pharmaceutical companies to consider CSR a formal requirement in the annual report or necessary to maintain a good reputation amongst customers. Still, according to Min and Esposito (2017: 58), CSR initiatives and reporting adds value and is a long-term investment for pharmaceutical companies. It is a way to improve relationships with various stakeholders, and in turn, improve profitability. In addition, an improved reputation following CSR reduces liabilities (ibid.: 66). The environmental aspects of CSR are rarely highlighted and Min and Esposito (2017: 66) found that managers failed to link profitability to environmental initiatives. This is confirmed in other studies, that found the environmental aspect of production less important (Berete, 2012; Droppert & Bennet, 2015). In contrast, others found environmental aspects the most frequently reported sustainability factor (Salton & Jones, 2015; Smith, 2008).

Blum-Kusterer and Hussain (2001) state research on sustainability is focused on the content of reports, rather than the process of sustainability. In this, they refer to incentives stimulating environmental change. In addition, they find that despite historical voluntariness of CSR, regulation is the main driving force for sustainable developments within pharmaceuticals, whilst stakeholder dialogue is a weak force (ibid.: 300-301). The view on the global contribution to sustainability within pharmaceuticals is, according to Blum-Kusterer and Hussain (2001: 306), the industry's chemical innovation and cures. The social responsibility is directed towards stakeholders like customers and employees (ibid.).

## 2.2 Previous methods and theories

In this sub-chapter, the main methods and theories used in previous research to understand the concept of sustainability are debated. This is done in order to identify beneficial methods for the field, as well as motivate the choice of methods and theories applied. This chapter is not to critique the research designs of previous

studies, but rather to discuss them and find suitable methods and theories and understudied areas to use and develop.

### **2.2.1 Previously used methods**

In reviewed literature, qualitative approaches are commonly used. For instance, Alblas et al. (2014) applied a case study design investigating sustainability in new product developing (NPD). They used workshops as a foundation, after which they conducted document studies and interviews with company representatives. Their goal with qualitative measures was to investigate external pressures experienced by the companies. Similarly, Bobe and Dragomir (2010) qualitatively analyzed sustainability reports, to investigate companies' sustainability agendas as communicated to stakeholders. Graafland (2002) likewise conducted document analysis aiming to investigate the relationship between profit and sustainability principles. In addition, interviews with sustainability managers intended to get the internal view on profits and principles. Both Molthan-Hill (2014) and Lozano (2015) also conducted semi-structured interviews with managers. Molthan-Hill's (2014) aim was to compare cultural influences on the use of moral justification to sustainability in business, whilst Lozano (2015) intended to examine the nature of sustainability drivers and the co-existence of internal and external incentives. Alike, Molthan-Hill (2015) and Stoughton and Ludema (2012) applied a qualitative multiple and comparative-case study, with a combination of semi-structured interviews and document analysis. Their aim of the method was to challenge the "business case" of sustainability by comparing various managers' own description of sustainability incentives (Molthan-Hill, 2015) and to explore the creation of sustainability on various levels within a company.

In contrast to the qualitative measures mentioned, Brønn and Vidaver-Cohen (2009) sent a quantitative questionnaire to 500 Norwegian companies to investigate why they engage in social initiatives. Gjølberg (2011) likewise conducted an online survey with CSR managers, to investigate Nordic companies' internal attitudes towards CSR legislation. Though offering insight in Nordic conditions, this

research cannot be generalized to CSR in the general context of EU. Similarly, Dobbs and van Staden (2016) conducted a survey combined with content analysis, aiming to investigate forces influencing companies' decision to report on sustainability in New Zealand, results not directly applicable to the EU-setting due to potential various ways of organizing law and impact of social norms. The same approach was applied by Blum-Kusterer and Hussein (2001), to examine the internal and external driving forces of German and British pharmaceutical companies towards sustainability change within companies, offering two Member State's views. Correspondingly, Min and Esposito (2017) conducted a survey, wanting to study a potential relationship between CSR and corporate performance based on the experience of pharmaceutical professionals. However, these two studies rather focus on the outcomes of CSR and not the incentives for it. Nazari et al. (2015) conducted a content analysis of publicly available Canadian government documents, annual and sustainability reports, aiming to develop a model to determine how external incentives and internal enablers impact sustainability reporting. Nevertheless, though it provides a model for analysis, it does not provide insight in the EU context.

Ioannou and Serafeim (2014) conducted a difference-in-difference analysis, aiming at examining non-financial disclosure regulation's impact on reporting practice, by investigating reporting practice before and after regulation's implementation. Such a method is suitable for exploring the results of the Amending Directive (2014/95/EU), like changes in incentives, but since the impact of transposing the Directive will not be evident until the year-end-reports of 2017 published in 2018, it is not a possible method to apply in this study. As for the objectivity of data, quantitative approaches also face the challenge of non-objective answers, as representatives ought to present their companies favorably. However, quantitative methods allow for a greater and representative sample which can be generalizable (Bryman, 2008: 168, 176), in contrast to the qualitative approaches.

### **2.2.2 Previously used theories**

The systems theory of control, part of conceptual systems approach, was applied by Alblas et al. (2014: 516-517) when researching sustainability in NPD, claiming the theory to help define a system and distinguish it from its context of operation. In addition, it allows for investigating both internal factors like management and external influencers like consumer expectations (Alblas et al., 2014: 516-517). In this, the authors say the theory enables a holistic understanding of the complexity of sustainability. In this instance, the systems theory of control provided a picture of the co-existence of internal and external driving forces. In addition, it illuminated the fact that external driving forces are not always present, and when present, they may be unclear. Thus, according to the authors, the theory challenged the main research notion that external incentives are crucial (ibid.: 533). Similarly, Lozano's (2015: 33) study on corporate sustainability drivers, also applied a form of systems theory, which he stated was required to illuminate the need and function of boundaries within sustainability. He, too, claimed systems theory would provide a holistic picture of sustainability in corporations. The implications were, like for Alblas et al. (2014), that sustainability was perceived as a co-existence of internal and external incentives. Lozano (2015) did not find external incentives unclear, which Alblas et al. (2014) did. Deploying from the systems theory, he rather created the Corporate Sustainability driver model, in which multiple actors and levels are identified (Lozano, 2015: 40). Not entirely unlike these studies, Molthan-Hill (2015) applied Habermas' theory on communicative reason, in studying the cultural variations in opinion to profits as the motivation for sustainability investments. The theory claims a social system loses its connection to ordinary life and becomes perceived as an objective reality, in which actors claim to be morally neutral (ibid.: 74). By applying this theory, Molthan-Hill (2015) could illuminate how reasoning within a company was used to motivate sustainability initiatives or a lack thereof, as well as explore the differing in reasoning for such initiatives between countries. It showed ways to justify sustainability and how such justifications are contextual.

The theoretical approach of systems theory is relevant in the perspective of sociology of law and may noticeably offer valuable insights as to identify external and internal incentives for sustainability, e.g. customer pressure/legislation and management/profitability, or even a combination of internal and external motivations (e.g. Lozano, 2015; Molthan-Hill, 2015). Therefore, I agree that systems theory offers a holistic perspective as it defines and encompasses the entire system of the organization. However, the theory is critiqued for focusing too much on the equilibrium of a system, therefore having limited capacity to explore social change and conflict (O'Leary, 2007).

Less often applied is socio-legal theories like legal pluralism, resulting in a gap to fill. Such a theory could offer a fruitful illumination of the implications of legalities and other norms on sustainability reporting practice, as previous research has found social norms as fundamental to such reporting. Additionally, to fully grasp sustainability, a theory grounded in the sustainability field would be a valuable complement. For instance, combining social and legal theories proved useful by Buhmann (2006: 190), who applied a combination of theory of law, i.e. the state's responsibility to implement regulation and legislation, and Triple Bottom Line (TBL)<sup>4</sup>, when investigating the impact law has on CSR and CSR as informal law. This combination allowed for an all-inclusive approach to both fields of law and sustainability in addition to their interaction and could therefore be a useful theoretical approach in this study. Another relevant theory connected to sustainability was used by Vormedal and Ruud (2009: 208), i.e. the stakeholder theory, based on the notion that social drivers impact reporting. Vormedal and Ruud (2009) applied the stakeholder theory in their study of social, political and regulatory influences on sustainability reporting. They found stakeholder theory provided an account of the societal forces, evident in their identification of various stakeholders, and the conclusion that stakeholder influence is weaker than expected.

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<sup>4</sup> A theory developed by John Elkington. Commonly referred to as the three pillars of sustainability: People, Planet, Profit (Roberts, 2014: 316). The notion of TBL is that corporations have more responsibilities besides profit, such as social and environmental (Borglund et. al., 2012: 145). TBL is further explained in 5.1.3 History of Corporate Social Responsibility.

Likewise, Dobbs and van Staden (2016) also applied stakeholder theory when investigating corporate motivations for voluntary sustainability reporting. They stated it would aid in illuminating the pressures of external stakeholders (ibid.), and it would, I argue, give a holistic perspective on both external (customers, NGOs etc.) and internal (management, employees, board etc.) individuals and groups influencing sustainability work in the Swedish pharmacy market's sustainability reporting. Dobbs and van Staden (2016) found that there are a multitude of stakeholders, however, they also concluded there to be a low level of stakeholder engagement and influence in sustainability reporting. These findings contradict the general ideas of stakeholder influence and social norms as crucial for sustainability work, as found by for instance Ahern (2016), Buhmann (2006) and Dienes et al. (2016). Therefore, it would be of interest to investigate if the Swedish pharmacy industry has weak or strong stakeholder influence.

### 2.3 The call for further research

Some research (e.g. Ahern, 2016 and Buhmann, 2006) found that organizations respond to issues concerning sustainability is based on the views of important stakeholders. However, which stakeholders, apart from shareholders, that influence companies remain underexplored (Haddock-Fraser & Tourelle, 2010: 528), but is important to investigate since how stakeholders think about sustainability tend to be important for companies' operationalization of the work (Lenher, 2015: 31). In addition, much CSR literature tend to focus on consequences rather than motives (Brønn & Vidaver-Cohen, 2009: 92). Brønn and Vidaver-Cohen (2009: 92) refers to a special issue of *Academy of Management Review* from 2007, an overview of important literature on the field. The general review was that further research was needed regarding why corporations engage in sustainability and CSR and that little attention in general have been paid to why corporations act socially responsible (ibid.). This notion is confirmed by Stoughton and Ludema (2012: 501, 514), who stated the need for extensive research on corporations' reasons for sustainability

initiatives. Additionally, the EU's policy on CSR includes further integration of CSR in research (European Commission, 2015).

Alblas et al. (2014: 517, 537) investigated the manufacturing of goods, and concluded that incentives for sustainability often are unclear. As findings in the manufacturing sector is not fully generalizable to pharmaceutical retail and since Alblas et al. (2014: 537) also calls for further research in other sectors, exploring sustainability incentives of pharmacies is relevant. In addition, as external influences only offer one part of business decisions, and corporations with the same stakeholders behave differently (Nazari et al., 2015: 275), it is reasonable to focus on one sector at once, to gain the most understanding for it, rather than comparing different sectors.

Though Blum-Kusterer and Hussain (2001) claim regulation as crucial and stakeholder influence as weak driving forces, Buhmann (2006) and Ahern (2016) for instance found stakeholder influence fundamental. Hence, there is a conflict in regards to the importance of various potential influencers. It is therefore of both interest and importance to further investigate the incentives and potentially contribute to understanding the forces shaping CSR. Such an understanding might aid policymakers when creating new directions and regulation. It may also serve companies to learn how others are impacted by external forces. The main gap in knowledge identified is the restricted research interest shown in pharmaceutical retail and in motives for sustainability reporting. Given the fact that little literature was found on pharmaceutical retail, the area can be considered underexplored and of research interest for that reason alone. In addition, the industry is a potential hazard to the environment, but part of the public health system and an industry most will encounter at some point. It is not an industry we can do without and one faced with sustainability challenges. Therefore, it is of interest to investigate why Swedish pharmacies do or do not choose to act sustainably.

It is evident in the available literature that a variety of theories are useful in illuminating different sides of CSR. However, the combination of a legal theory and a sustainability theory is not commonly used, but still proven useful in investigating

relationships between the legal field and sustainability. This thesis will therefore apply legal pluralism and stakeholder theory to the exploration of sustainability incentives in Swedish pharmacy retail. The situation of legal pluralism within legal theories as opposed to social theories will be further discussed in 4.3 Relevance of theories. Nevertheless, this study may provide an insight into how corporations might respond to external pressures, which could aid in strategizing management as well as improve legislation and implementation of sustainability work.

## 3. Description of methods and methodology

To explore how pharmacies experience incentives and influencers of sustainability reporting, a qualitative approach was found suitable. Qualitative approaches interpret the meaning people bring to their actions by using unrepresentative samples and focus on details of human life (Payne & Payne, 2004: 176). Thus, qualitative methods allow for in-depth understanding, rather than statistical generalizations quantitative methods provide (Bryman, 2008: 40, 168-169, 355), further discussed later in this chapter.

This chapter presents the mixed-methods applied to collect and analyze the data, as well as a discussion on scientific trustworthiness and ethical considerations.

### 3.1 Selection of empirical material

Over 40 actors run pharmacies in Sweden (Medical Products Agency, 2017), a population too large for this thesis' scope. Therefore, a sample frame is created based on a list of all permitted individual pharmacies in Sweden and which corporation they belong to (ibid.). The following criteria guided the sample: mainly citizen clientele, not companies<sup>5</sup>; human not animal directed medicals<sup>6</sup>; and contact information, i.e. e-mail/contact form, available online for sending the cover letter.<sup>7</sup>

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<sup>5</sup> Which ruled out the pharmacy apoex.

<sup>6</sup> Eliminating Djurfarmacia and Swevet. Animal and company focused pharmacies were excluded based on the assumption that company customers might not pose as strong demands on sustainability reporting as private customers and animal pharmacies not to be as widespread as human pharmacies. This elimination may have biased the sample and must be recognized as potentially impacting the results' applicability to the pharmacy industry as whole and not just for human and private customers.

<sup>7</sup> Eliminating e.g. Jacomm/Pharma AB.

Pharmacies not meeting the criteria was removed from the list. In addition, all actors were limited to be mentioned only once in the sample frame, regardless of how many permitted pharmacies they have.<sup>8</sup> Ultimately, the sample frame consisted of nineteen actors.<sup>9</sup>

Five actors<sup>10</sup> were selected due to their placement on 2016's Sustainable Brand Index (Sustainable Brand Index, 2016: 20)<sup>11</sup>, as it indicated a sustainability commitment. Another five<sup>12</sup> were sampled based total revenue (Purehelp, 2017a; Purehelp, 2017b; Purehelp, 2017c), as larger pharmacies could have greater opportunity for participation than smaller actors. A total of ten was thought to provide an opportunity of in-depth investigation, with a margin for shortfall.

<b>Apotea</b>	<b>Björknäs Apotek</b>
<b>Apoteket</b>	<b>Din Apotekare Sverige</b>
<b>Apoteksgruppen</b>	<b>Kronans Apotek</b>
<b>Apotek Hjärtat</b>	<b>Lloyds Apotek</b>
<b>Apotekstjänst Sverige</b>	<b>Svensk Dos</b>

Figure 1 Final sample.

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<sup>8</sup> Some actors were mentioned numerous times in the list of approved pharmacies, one mentioning per permit, resulting in major chains to be named repeatedly. As the number of permits was not a sample criteria, all repeated actors were deleted so that all actors were only mentioned once in the sample frame.

<sup>9</sup> See Appendix 1.

<sup>10</sup> Apoteket, Apoteksgruppen, Apotek Hjärtat, Kronans Apotek, and Lloyds Apotek.

<sup>11</sup> When the sample was made, the Sustainable Brand Index report for 2017 was not yet published.

<sup>12</sup> Apotekstjänst Sverige, Björknäs Apotek, Din Apotekare Sverige, Apotea and Svensk Dos.

### 3.1.1 Shortfall and sample methods

Shortfall was due to lack of time to commit<sup>13</sup> or lack of sustainability reporting practice.<sup>14</sup> Altogether, three pharmacies declined participation<sup>15</sup> and four failed to reply.<sup>16</sup> Interviews were held with: Kronans Apotek, Apoteksgruppen and Apotea.

Initially, interviews were the only planned data source, but high shortfall made document analysis a suitable compliment to interview data. Therefore, documents like annual and sustainability reports<sup>17</sup> besides statements and policies on sustainability<sup>18</sup> were chosen for analysis. The sample again built on Medical Products Agency approved pharmacies, but this time all actors were examined for publicly available sustainability reports (or annual reports with sustainability sections) and policies. Two<sup>19</sup> had such full reports, one was incorporated into a parent company's report for various undertakings and was eliminated<sup>20</sup>. Four had sustainability policies.<sup>21</sup> The two most recent annual reports were chosen to depict reporting of today. The analysis was limited to sustainability related sections of the documents. Additionally, all available policy documents<sup>22</sup> were sampled.

The general sampling method was consequently purposive, since units were chosen based on relevance to the research questions and assumed ability to participate (Bryman, 2008: 434). Thus, the sample is not representative and results are not generalizable<sup>23</sup>, which a randomized sample could offer. However, it offers in-

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<sup>13</sup> Apoteket and Din Apotekare declined on these grounds.

<sup>14</sup> Lloyds Apotek.

<sup>15</sup> Apoteket, Din Apotekare and Lloyds Apotek.

<sup>16</sup> Apotekstjänst, Björknäs Apotek, Apotek Hjärtat and Svensk Dos.

<sup>17</sup> Apoteksgruppen and Apoteket.

<sup>18</sup> Apotea, Apotek Hjärtat, Apoteket and Kronans Apotek.

<sup>19</sup> Apoteket and Apoteksgruppen.

<sup>20</sup> Apotek Hjärtat, excluded due to inability to separate pharmacy's view.

<sup>21</sup> Apoteket, Apotea, Apotek Hjärtat and Kronans Apotek.

<sup>22</sup> Sustainability policies from Apotea, Apoteket, Apotek Hjärtat and Kronans Apotek.

<sup>23</sup> Further discussed in Objectivity and trustworthiness.

depth understanding of the topic, which is a fundamental aim of qualitative studies (ibid.: 179-180, 369).

## 3.2 Data collection

The sample was sent a cover letter.<sup>24</sup> Only two replied to this first communication.<sup>25</sup> A week after the first invitation was sent, the cover letter was sent again to non-respondents. Now, three replied, whereof two wished to participate<sup>26</sup> and one declined.<sup>27</sup> Two weeks after initial contact, phone calls were made to get a quick and definite answer.<sup>28</sup> In an instance where contact and response, but no decision, had been made, a reminder was sent as a reply to the initial response. When no reply was obtained, a phone call was made and later an e-mail sent to a new address.<sup>29</sup> To others, the final reminder was only sent as no relevant phone number was available.<sup>30</sup> None responded, proving the sample hard to get. Perhaps the general shortfall is due to a lack of interest in sustainability amongst pharmacies, or a lack of resources to actively work with it, especially for smaller actors.

The cover letter was intended to increase potential respondents' willingness to participate, compared to simply sending the questions, which might be considered rude or spam (Bryman, 2008: 597). Though challenging to initiate a relationship online, establishing respect by not taking participation for granted was considered important (ibid.: 565). Moreover, the cover letter provided information about the study and initiated written consent.<sup>31</sup> Following written consent, the first section of

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<sup>24</sup> See appendix 2. The Swedish version is the one the companies received, and the English version is for the sake of the readers.

<sup>25</sup> Apoteket declined and Apoteksgruppen would contact a relevant employee.

<sup>26</sup> Kronans Apotek and Apoteksgruppen.

<sup>27</sup> Din Apotekare.

<sup>28</sup> Björknäs Apotek and Lloyds Apotek.

<sup>29</sup> Apotek Hjärtat.

<sup>30</sup> Apotekstjänst and Svensk Dos (alternate e-mail was tried).

<sup>31</sup> Further discussed in ethical considerations.

the interview was sent via e-mail, and one telephone interview was conducted. The interviews were divided into two parts to enable a fuller dialogue (James et al., 2012: 215), as further discussed in 3.2.1 Interviews. After obtaining responses to section one, section two was sent, combined with follow-up questions to section one. Replies were copied from the e-mails into separate Word-documents for each pharmacy and stored externally.<sup>32</sup> The interviews were all conducted in Swedish, to minimize shortfall based on language. Therefore, quotes are my translations. The following sections present methods used to collect data, their advantages and how the collection was conducted.

### **3.2.1 Interviews**

Interviews are suitable when interested in peoples' values, opinions and/or behavior (Warren, 2001: 83), like companies' sustainability reporting and experienced incentives for it. The interviews were qualitative and semi-structured, allowing for open ended and follow-up questions (Bryman, 2008: 202) as well as conducted online. This approach, though somewhat structured, offers greater freedom for asking questions and giving answers compared to quantitative surveys. Interviews enable the interviewee to steer the conversation towards their prioritized areas, revealing information the researcher might not have considered (Bryman, 2004: 46). The research was partially based on online interviews, and their advantages and disadvantages will be discussed below, as will those of telephone interviews.

#### *Electronic interviews*

Online interviewing may ease participation with a geographically or hierarchically distant sample. Particularly when asynchronous methods are applied and respondents may participate at their own convenience (Bryman, 2008: 594). In this thesis, personal interviews were considered to offer clearer information and more details than focus groups (ibid.: 413, 449, 586). A synchronous approach like video calls could have been applied (ibid.: 592, 596-598), however, it would lack the

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<sup>32</sup> See ethical considerations.

advantage of not having to transcribe the data (Dowling, 2012: 284) and pose the risk of technical struggles. A chat room would not need transcription, yet, the potential requirement of software and inability to adapt to participant's convenience could impact response rates (Bryman, 2008: 593). Therefore, asynchronous e-mail interviews were applied. One advantage is that such data does not need transcription before analysis (James et al., 2012: 215). More importantly, it allows respondents to partake at their own convenience, resulting in thought through answers relevant to the research questions and a possibly increased response rate (Bryman, 2008: 594). Though the response rate was not high in this case, the answers obtained was indeed thought through and to the point. Additionally, the e-mail interviews were time and cost effective as it required no travels (Dowling, 2012: 279).

E-mail interviews may take long to conclude. Nevertheless, they may also enable a long-term contact and makes it easier to reconnect with respondents than in face-to-face interviews (Bryman, 2008: 595-596). Additionally, e-mail interviews are criticized for lacking spontaneity of face-to-face interviews (ibid.: 595-596). This might be compensated by well-reasoned responses, both from researchers and respondents (Salmons, 2012: 23). Moreover, e-mail interviews are criticized for not creating a relationship with respondents or allowing for reaction and further questions (Bryman, 2008: 595). This may also result in uncompleted interviews. However, follow-up questions are as achievable in written interviews and limited reaction could result in lesser reactivity in responses (Bryman, 2008: 595).

The interview consisted of two parts, based on general themes identified in literature. The questions were sent as a regular e-mail, and respondents decided themselves whether to reply in the e-mail or by attaching a file, a common method when employing e-mail surveys. This requires no knowledge of special software for neither the respondent or the researcher. Furthermore, questions were not sent as attachments, to avoid confusion as to where the questions were asked and avoid potential fear of viruses when downloading files, as suggested by Holstein and Gubrium (2003: 248, 249).

To minimize unanswered questions and enable dialogue and follow-up questions (James et al., 2012: 215), questions were sent in sections. Sending individual questions allow for respondents to contemplate their answers (Bryman, 2008: 596), Nevertheless, Bampton and Cowton (2002) (in Bryman, 2008: 597) found sending individual questions made respondents feel rushed. Sending some connected questions at a time eliminated such an experience. Though, sending sections allow respondents to read ahead, answering only chosen questions. Still, sending sections might limit the tendency to abandon the interview prematurely (ibid.).

#### *Telephone interview*

One telephone interview was conducted as requested by Apotea. Telephone interviews are increasingly common in qualitative approaches and have benefits matching e-mail interviews; cost and time effectiveness, reaching a dispersed sample and lesser reactivity (Bryman, 2008: 596; Hughes, 2008: 862). However, telephone interviews, like e-mail interviews, lack control over that the right and intended person is being interviewed (Bryman, 2008; 210). Here, good faith was placed in the respondents' honesty, as they would gain nothing from being deceptive. Telephone interviews are unsuitable when good relationships may impact data are reported (Hughes, 2008: 862). As the topic is neither personal nor sensitive, rich replies were not deemed dependent on such a relationship. Still, trust and credibility was aimed at by providing information and gaining consent.

The telephone interview was not recorded and transcribed, as recoding telephone interviews are often challenging, of bad sound quality and require special equipment (Bryman, 2008: 433). Furthermore, it is challenging to obtain a perfectly precise transcript, as discrepancies in wording is common between spoken word and transcript, as well as costly, mostly in regards to time (Bryman, 2008: 428; Poland, 2001: 630-631). Instead, similar to preliminary field notes, short notes were taken. Directly after the concluded interview, notes were transformed to completed field notes, to minimize forgotten information (Bryman, 2008: 399). Notably, taking notes during interviews may miss certain expressions, as the data is not the respondent's own words (ibid.: 420). Notes does not provide more precise wording

than transcription, however, the precision in understanding the telephone interview in my research was ensured by respondent validation, which according to Bryman (2008: 353) and Payne & Payne (2004: 28) ensures a reliable protocol and minimized bias. The validation was made by sending the full notes to the interviewee for validation. Potential misunderstandings were altered and overlooked information added. Another main critique of taking notes during an interview, is the division in attention it causes, preventing the interviewer from interacting (Hahn, 2008: 73), but as the interview was conducted via telephone this was not considered an issue.

### **3.2.2 Document analysis**

Documents offer insights in the past and are in this case easily available for analysis. The findings of documents can also be checked by others. Additionally, documents are not reactive and do not adjust to please the reader (Payne & Payne, 2004: 64). Annual and sustainability reports as well as sustainability policies are private documents, since they are produced by and for private organizations, yet available to the public. Such documents are not produced for scientific purposes, but provide insight in the social world in which they are created (Payne & Payne, 2004: 61). Documents like these are not necessarily representative and generalizable (Payne & Payne, 2004: 63). Representativeness, i.e. if the sampled reports were typical (ibid.:64) was in my research controlled by comparing sampled reports to previous reports. The sampled reports were deemed typical due to similar content and structure. Though companies' documents are rarely forged and their authenticity questioned, their credibility can be questioned since fraudulent reporting and accounting happens (ibid.: 64). The authenticity is not questioned, as the documents are published by the companies themselves. However, the credibility is noted, and judged as high due to external revision of the annual and sustainability reports. As for the interviews, the companies' subjective version of reality is accepted to be found through methods applied.

Documents were retrieved from companies' websites, where available. The two most recent annual reports with sustainability sections were chosen when available<sup>33</sup>, and when not, sustainability policies<sup>34</sup> and general statements<sup>35</sup> were chosen.

In summary, my material consists of three e-mail interviews, one telephone interview, four sustainability policies and four annual reports with sustainability sections.

### 3.3 Analytical strategy

The data collected via interviews and in documents was structured in terms of themes to enable analysis and identify patterns related to the theories applied. A thematic analysis is compatible with constructivist notions (Braun & Clarke, 2006: 78), which this thesis identifies with. The conducted form of data analysis approach is therefore a thematic analysis, a highly common method in qualitative designs (Bryman, 2008: 528). Thematic analysis is a systematic analysis of qualitative data seeking relationships and patterns (Lapadat, 2010: 926-927). The approach differs from grounded theory and discourse analysis as the thematic analysis does not rely on specialized techniques of analysis (Schwandt, 2007). The method has been critiqued for lacking specific structure, however, due to its theoretical independence, the thematic analysis offers a simultaneously flexible and beneficial tool for a detailed and complex account of the data (Braun & Clarke, 2006: 78). A thematic analysis usually identifies themes, according to Bryman and Burgess (1994) (in Bryman, 2008: 551), based on the themes' regularity in the texts analyzed.

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<sup>33</sup> Apoteksgruppen and Apoteket for 2015 and 2016.

<sup>34</sup> Kronans Apotek.

<sup>35</sup> Apotea.

The themes<sup>36</sup> were created based on findings in previous literature, such as sustainability aspects based on TBL, internal/external incentives like owner/customer expectations, social and legal norms. Themes to code by were also found in applied theories, such as stakeholders (actors and impacted) and legal pluralism (social versus legal norms). The themes we chosen since they were repeated (Bryman, 2008: 529), e.g. stakeholder, profit, environment, internal/external incentive etc., or theoretical concepts (ibid.: 530) like power, stakeholders and legalities. Themes are here understood equivalent to codes, i.e. topics and themes found in the texts based on repeated reading (ibid.: 290, 528).

The texts were coded based on their contribution to the themes identified (Schwandt, 2007). The texts of both interviews and documents were coded manually based on themes mentioned. The texts were first read without coding them, and then read and re-read to find all codable data. During this process, the code of power emerged when identifying ways actors influenced the practice. When all data was deemed coded, it was structured for analysis as is presented in Appendix 4 and its tables.

### 3.4 Scientific positioning and quality

Due to a qualitative approach and limitations to one industry and one country, generalization is restricted. However, as the concept of sustainability is contested

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<sup>36</sup> Sustainability aspect (People, Planet, Profit)

Sub-group to People (Stakeholders)

Sub-group to Planet (Environmental motives)

Sub-group to Profit (Profitable motives)

Internal incentives

External incentives

Legal norms/law

Social norms

Power relations

between industries, and previous research has pointed out both difficulty and potential unnecessariness of generalization between industries (e.g. Alblas et al. 2014), generalization beyond pharmacies were not deemed crucial. As for generalization within pharmacies, interest is taken in detailed rather than general understanding, and in accordance with qualitative research, generalization is not fundamental. Given the unexpected shortfall, a more general understanding has been sought by examining documents as well. However, as not all pharmacies have been investigated and qualitative measures are dependent on the researcher's knowledge and interest (Bryman, 2008: 368, 371), the thesis' interpretation is not the only viable representation (Miles, 2010: 369) of Swedish pharmacies' incentives for sustainability reporting.

Consequently, a relativist standpoint is taken, i.e. the stance that all knowledge claims must be related to the setting in which they emerge (Vogt, 2005). Additionally, constructivism is claimed, namely that people construct meaning and knowledge based on experience (Mathison, 2005). It questions if the social world and its institutions even exists independent of human experience (Meréchal, 2010: 222). My standpoint is not as radical as such. A weaker form of constructivism is identified with, which argues that not everything begins to exist first when experienced by people, yet still that institutions like law, and knowledge of them, are constructed due to influence by their social origins (Sayer, 2000: 62, 90).

### **3.4.1 Objectivity**

Ensuring trustworthiness, the study's purpose and research questions need clear stating. Methods needs presentation and discussion, data needs systematic collection and critical analysis (Gustafsson, Hermerén & Petersson, 2004: 15-16). Therefore, methods and motivations have been described in detail, aiming at clarity and honesty about the process and decisions made. This section presents important considerations for scientific quality.

As part of social life, researchers commonly have knowledge and thoughts about the object, which should not influence research (Mariampolski, 2001: 58). To limit

potential researcher impact, subconsciously or consciously, presenting latent partiality is crucial (Gustafsson et al., 2004: 14). Objectivity involves researcher detachment to create respectable knowledge (Miller, 2008: 572; Payne & Payne, 2004: 27). For positivists, standardization and repeatability create objectivity, but qualitative studies regard objectivity much differently; researcher's experiences and knowledge are important in collecting and analyzing data. Subjectivity is recognized and accepted, rather than disapproved (Bryman, 2008: 362, 368; Miller, 2008: 572). Additionally, Foucault denied the existence of objective knowledge (Brewer, 2003: 76). To fully extract myself from the social field of investigation, as a potential pharmacy customer and being interested in sustainability, would be difficult. Yet, potential bias was minimized by sampling based on official permits from the Medical Products Agency, in combination with a third party ranking (Sustainable Brand Index). Thus, the sample reflects not my preference in pharmacies, but offer a wide sample of today's pharmacy market. Still, potential subjectivity cannot fully be eliminated in qualitative research (Bryman, 2008: 362).

A potential problem with the qualitative approach of document analysis popular in previous literature, is that the researcher cannot ask follow-up questions and probe what is meant, which interviews allow for (Bryman, 2008: 430). Still, interviews are problematic since respondents may refuse to answer certain questions or decline participation (ibid.: 596-597). Such problems could be overcome by combining interviews and document analysis, like e.g. Alblas et al. (2014) and Molthan-Hill (2015) did. However, official documents from organizations could be presented favorably, and should therefore be used with this in mind in regards to their objectivity (Bryman, 2008: 497). Hence, it is not certain that the combination of methods will result in an unbiased picture of reality. Still, when conducting qualitative research, one is interested in the internal experience and description of social life, and such an experience is not objective. Therefore, the data seldom is either (ibid.: 369). Moreover, complementing few interviews with document analysis could provide a greater set of data and width of understanding and has been applied in this research.

### 3.4.2 Trustworthiness

Qualitative studies pose different challenges to quality than quantitative studies, needing other concepts for quality and credibility. Guba and Lincoln (1994) and Lincoln and Guba (1985) (in Bryman, 2008: 352-358), suggest trustworthiness and its four criteria; credibility, transferability, dependability and confirmability. Credibility refers to if research rules are followed and if results are reported to participants by triangulation or respondent validation (ibid.: 354-355). Respondent validation was done in the telephone interview, by sending notes for control. Validation in written interviews was not deemed necessary as the respondents themselves had penned their answers and approved them before submitting. However, results were triangulated, i.e. confirmed by using multiple data sources<sup>37</sup>, theoretical perspectives<sup>38</sup> and previous research to confirm and question results (Bryman, 2008: 354-355). This may minimize bias and improve trustworthiness (Mathison, 2005).

Qualitative studies are criticized for lacking generalizability, following unrepresentative samples, contextuality and subjectivity (Bryman, 2008: 355, 368, 369). However, in accordance to transferability, qualitative researchers should aim at making thick descriptions to highlight context, not seek general findings (ibid.: 355). Such descriptions were made with excerpts from the data to highlight points and a more structured presentation of data in appendix 4. Such accounts can aid readers determine result's transferability to other fields (Guba and Lincoln 1994, in Bryman 2008: 355). Seeking thick descriptions never accepts beautified or embellished data or analyses to support one's idea (Gustafsson et al., 2004: 16), avoided by using quotes to illuminate important themes. Similarly, not reporting known opposing findings is not in accordance with scientific quality (ibid.: 16). Hence, the literature review and conclusion relate to previous research of both agreeing and disagreeing views with the thesis' results.

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<sup>37</sup> Multiple respondents and types of data (interviews and documents).

<sup>38</sup> The theoretical frameworks; TBL, legal pluralism and stakeholder theory.

The thoroughness of describing the process and decisions, on which colleagues can base an audit on (Bryman, 2008: 355), or in this case fellow students, determines dependability. An audit should be made prior to submission (ibid.), not done for a thesis. Nevertheless, as the audit is made after submission, alterations based on critique is made before publication, and dependability is controlled. Thoroughness is provided by extensive and clear accounts of the general process. Finally, for confirmability, detailed accounts, sample criteria, and honesty about potential bias should make it evident that I have not consciously let bias influence research, though accepting the inability to obtain full objectivity in qualitative research (Bryman, 2008: 355).

Using two interview methods and document analysis, producing various data types<sup>39</sup>, could have influenced comparability of data. Nevertheless, as the telephone interview was compiled similar to the written interviews and documents consisted of text, all data were analyzable using the same tools. Therefore, the results are not considered tainted by mixing methods.

### **3.4.3 Ethical considerations**

Although online interviews were applied, considerations like those of face-to-face interviews are required based on four criteria (Bryman, 2008: 608). Firstly, the information criterion, which demand providing potential participants with information about the study (ibid.: 131, 135-137), was respected by sending a cover letter. It contained information to base participation on and initiated written consent for interviews. Thus, the second criterion regarding consent, which affirms the respondents right to choose participation (ibid.: 132), was met. Regarding the documents, neither information or consent was deemed necessary, as the documents are made publicly available by the companies themselves and contents are not sensitive (ibid.: 142).

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<sup>39</sup> Personally written data, private documents and my interpretation of words (phone interview).

Written consent is usually only needed in invasive studies, e.g. interviews on intimate matters, whilst verbal consent is sufficient in studies of lesser invasiveness or sensitivity of themes (Kent, 2000: 84). As this study explores companies' work and not personal or sensitive themes, verbal consent would have sufficed. Nevertheless, a written consent was collected to document the voluntariness. It proved difficult to obtain formal written consent, despite instructions in the cover letter stating the wish regarding what the written consent should include.<sup>40</sup> Clearly, these instructions proved too vague. Attaching a consent form, allowing sample to either accept or decline participation by completing the form, could have been more effective. This had also documented whether the information was enough to provide full understanding (Kent, 2000: 84).

Confidentiality is the protection of confidential information, maintaining participants' integrity (American Sociological Association, 1997: 11.1-11.02). However, as the interviews are mainly conducted online, the information could be hacked and obtained. Additionally, as the information given is not sensitive, complete offline storage seemed abundant. Still, the interview data were stored on an external hard drive, to keep from outsiders during research process, but also to keep records for future control or replication within two years (Gustafsson et al., 2004: 33, 35). The documents' public nature means they need no such protection, nor is their use limited to this thesis, as the final criteria states (Bryman, 2008: 132). The interviews will only be used for this thesis or in potential control or recreation of results (ibid.).

High vulnerability for participants entails greater researcher responsibility to protect them. As harm is contextual depending on environment and issues investigated, contextual ethical considerations are best applied (Association of Internet Research, 2012: 4). Therefore, as the data includes no personal information or personal views on sustainability, but the companies' view, no harm is identified in regards to individual respondents. Still, the company might suffer if sensitive

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<sup>40</sup> See appendix 2.

information were presented in the results. The interviews did not ask for confidential information and analyzed documents included no such information. Thus, company damage should not be a result of participation.

## 4. Theory

In this study, stakeholder theory is applied in the analysis of empirical data, in combination with legal pluralism, as a compliment to power. Thus, the study is of deductive character, as it does not produce new theory, but applies theory to understand the data (Bryman, 2008: 28-29). This section cannot provide a full account of the chosen theories, but presents key ideas and their applicability and relevance will be discussed.

### 4.1 Stakeholder theory

The concept stakeholder was first coined in 1963 at the Stanford Research Institute, when researchers argued that executives needed to understand the needs and concerns of various stakeholders to frame corporate objectives that would gain enough support to keep business alive (Freeman, 2010: 31-32). It is an integrative theory, as it is concerned about how organizations integrate social demands in their practice (Garriga & Melé, 2004: 57). The stakeholder theory is descriptive, as it provides a model for describing a corporation and its various branches and actors. It is also analytical as it provides tools for investigating potential connections between stakeholder wishes and corporate performance, as well as normative as it acknowledges stakeholder value and influence (Donaldson & Preston, 1995: 66-67). Stakeholder theory thus theorize the complex perspective on stakeholders' quest for value beyond profit and how to measure such values (Harrison & Wicks, 2013: 97). The concept gained academic interest because of Freeman's seminal book during the 1980s, which developed the concept as a challenge towards the stockholder doctrine, in which the sole interest of any corporation should be shareholders' return of profits (Windsor, 2002: 85). A common definition is: stakeholders are those, groups or individuals, that can affect or are affected by the

activities of an organization's purpose. Originally, stakeholders included shareowners, employees, customers, lenders, governments and society at large, and they play an important role in the success of business still today (Freeman, 2010: 25; Jensen, 2002: 66).

Stakeholder theory has been criticized for stealing admissible property rights from shareholders in financial terms (Windsor, 2002: 87). Thus, some see stakeholder rights, if there even are any, as strictly secondary to shareholders' rights. In addition, some argue that the best way towards social welfare benefiting all stakeholders, is long-term market value, i.e. value maximization (ibid.). However, it is evident that stakeholders have great potential to impact the organizations function. According to Hirschman (1970) (in Freeman, 2010: 18-20), the consumer has three tactics in influencing corporations. One, they can exit, i.e. buy the goods or service from another company. Enough exits tell the company their product is not viable. Two, they may complain, that is use their voice, and try to change the company's practice. Finally, their loyalty is determined by the mix of exit and voice used (ibid.: 18-20).

Jensen (2002: 67-71) states that corporations usually have a single-valued objective. That is, the corporation either maximize value, or improve the environment (ibid.). Still, consideration of stakeholder interests is crucial in the long-term value creation (Windsor, 2002: 88). Jensen's (2002: 67, 78) version of stakeholder theory, which he calls the enlightened stakeholder theory, recognizes value maximization as the core purpose of a corporation. Yet, it does not exclude the importance of meeting stakeholder needs in doing so and provide support when deciding between conflicting interests (ibid.). Therefore, it also recognizes the power of stakeholders to influence the continuation of business operation. Stakeholder theory should, nevertheless, not be considered a contender to value maximization, as it does not offer a complete perspective on the corporate purpose (Jensen, 2002: 66). According to the theory of value maximization, which Garriga and Melé (2004: 53) would call an instrumental theory of CSR, managers are guided in deciding between multiple stakeholders by the potential to maximize the total market value (Jensen,

2002: 70, 73). Stakeholder theory, on the other hand, does not provide decision makers with any guidance on how to prioritize between conflicting stakeholder interests. In Jensen's (2002: 68, 73-74) opinion, original stakeholder theory is therefore too broad and in practice impossible to apply, in addition to its crippling effects on competitiveness. Nevertheless, Jensen (2002: 67) also state that to maintain high profits, corporations must satisfy and engage all stakeholders. Similarly, applying a stakeholder approach in a corporation is favorable as it allows visualization of an organization and its social responsibility, whilst not entailing a specific business strategy (Carrol, 1995, in Windsor, 2002: 95).

In this thesis, stakeholder theory departs from Jensen's (2002) enlightened stakeholder theory, as it is agreed that without long-term profit a corporation will not survive. Therefore, the stakeholder theory is considered a complement to value maximization<sup>41</sup>, in that meeting demands of stakeholders is necessary to survive in business. Stakeholder theory is the considerations made in regards to stakeholders in the pursuit of financial profit. However, this theory will only illuminate a specific company's behavior based on stakeholders, as various companies may have different stakeholders. Used alone and on one informant, it does not provide wide-ranging findings of CSR across the EU nor even across one industry. Therefore, multiple theories have been applied and several companies investigated.

## 4.2 Legal pluralism

Studies in the early 20<sup>th</sup> century investigated indigenous law of colonized societies. They found that even societies with no central legal power had law-like systems of social control. Thus, law is not necessarily state originated. Additionally, with the introduction of European law in colonies, there was a plurality of legal orders, which in combination with the non-centralized view of law created the idea of legal pluralism (Merry, 1988: 869). Legal pluralism ranges from the notion of having

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<sup>41</sup> A theory not applied in this study, as it would focus too much on the monetary incentives for sustainability commitments.

more than one operating legal order within a nation state or social field to a concept in which law does not depend on the state for validity (Griffiths, 2002: 289). Nevertheless, legal pluralism corresponds to social pluralism, in the sense that society's legal organization is matching society's social structuring (ibid.: 38).

#### **4.2.1 Social control, plurality of law and morality**

The basis of both social norms and legalities are the function of social control. Malinowski (in Dupret, 2007: 297), was one of the first to define law with a strong connection to social control. Malinowski meant law should be judged by its function rather than its form. I.e., as law aim to maintain social order, and such order can originate from social behavioral patterns, legal norms are in fact abstracted from those patterns of social behavior. Thus, law is plural in nature and not bound to a central agency (ibid.). Similarly, Ehrlich contributed to the notion of this pluralism with his concept living law. To him, state coercion did not necessarily result in the acceptance of a law into everyday organization of social life (Banakar, 2002: 42). Ehrlich's reasoning was that a central force is not crucial in the creation of law, and claimed law to be independent from the state and that social norms at times are more accepted as rule than law. Correspondingly to Malinowski, Ehrlich considered law to be a matter of social control, and social control to be everywhere, not just in state legislation. Furthermore, he claimed that state law emerges from social norms and that law is equal to normativity (Dupret, 2007: 297). Contrarily, legal centralism, considers all law to be detached from normativity and stem from the state's central legal force. Lesser normative orderings, those of family, economics and church, are in this perspective subordinate to the rule of law (Griffiths, 1986: 3).

Like Malinowski and Ehrlich, Petrazycki also rejected the centralist positivist idea of law solely originating from the state. Instead, he saw law as mutually created by state, individuals and groups, acknowledging a distinction between official and unofficial law (Banakar, 2002: 37-39), plural in nature. Similarly, Gurvitch (in

Dupret, 2007: 297), identified three levels of law: state-law<sup>42</sup>, inter-individual or inter-group law<sup>43</sup>, and social law.<sup>44</sup>

#### **4.2.2 Strong and weak legal pluralism**

There are various types of understandings of legal pluralism, and describing them is important to provide understanding on the position taken in this thesis. The levels vary between weak and strong, accepting varying definitions of the pluralism. Griffiths (1986: 4) goes as far as stating legal centralism to be a myth, and legal pluralism to be the fact of social ordering. The weaker form of legal pluralism has been criticized for being essentially centralist. Weak legal pluralism identifies pluralism based on the state's recognition of customary law, namely differing sovereign norms applied to and by various groups of people or differing application of law by various state authorities (Dupret, 2007: 299; Griffiths, 1986: 5; Tamanaha, 1993: 202). As the indigenous law is recognized by state authority, it becomes part of the state law and is thus no longer a pluralistic legal order. Therefore, weak legal pluralism is not actually plural, but central. This weak legal pluralism is mainly associated with colonial and post-colonial societies (Griffiths, 1986: 8). This is Griffiths' (in Merry, 1988: 871), juristic view of legal pluralism, i.e. the colonial implementation of European law on indigenous law and thus implementing different legal standards on different groups of people.

Griffiths (1986: 8) also identified a social scientific view of legal pluralism, in which the pluralism lies in the co-occurrence of legal orders of different systems within a social group. This version of legal pluralism is called strong or new legal pluralism and considers all societies to have a plural normative order (Griffiths, 2002: 302; Merry, 1988: 873). It is a development of the intersection of European and indigenous law to rather focus on non-colonized and highly industrialized countries. In this, it has come to investigate the relationship between dominant and

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<sup>42</sup> claiming monopoly on legal activity

<sup>43</sup> linking exchanging individuals or groups

<sup>44</sup> connecting individuals to establish a joint unit

subordinate groups and actors in society (Merry, 1988: 872). In this stronger sense, legal pluralism is when not all law is state law or governed by a single state authority, but also socially ruled by non-legal norms, and therefore considers law neither uniform nor systematic. It is when several legal orders not belonging to a single legal system/force operate within a social field (Griffiths, 1986: 5, 8). This notion of strong legal pluralism provides a possibility to see the state as *one* element of law, but not *the* element of law (Griffiths, 2002: 302).

### 4.2.3 Critique

Legal pluralism has been criticized for challenging and undermining the power of state validated norms, as it does not see the state as the sole implementer of legal order (Kleinhans & Macdonald, 1997: 32). In contrast to legal pluralism, legal positivism does not see law and morality as connected. Additionally, legal positivism accepts only the law that is validated by the recognized official law-making body, rejecting the idea that morality, human dignity or religion in any way induce or influence law, or can be called law or legalities at all (Cryer, 2011: 37). To some, legal positivism is thus the only reasonable way to observe legal phenomena, as it does not include social norms (Tamanaha, 1993). Others consider legal positivism too narrow in scope and that it has in fact hindered the development of general theory and accurate observations. According to Griffiths (1986: 3-4), this is a result of legal positivism's perspective of what law *should* be rather than what it actually *is*. Legal positivism is therefore unable to see law for the somewhat unsystematic overlapping of fragments that it is, which legal pluralism allows for (ibid.). Such fragments are important to understand the co-existence of various incentives for sustainability reporting. Understanding co-existing incentives might identify a potential legal pluralism on the field of sustainability reporting, and might also inform the shaping of reports to provide most relevant and easily available information.

Legal pluralism instead offers a potentially rich opportunity for useful engagement between research on law and legal philosophy. It offers one way to reconstruct the

social world as constructed in the minds of people, even when people might not structure the social world like legal pluralism would (Patrignani, 2016: 715, 720). Nevertheless, legal pluralism has been critiqued for its lack of a universally accepted definition of what law is and that the border between state law and non-state law is unclear (Kleinhans & Macdonald, 1997: 32; Tamanaha, 1993: 193-194). This shortcoming is refuted by Patrignani (2016), as no term accounting for reality may fit into an eternal and perfect definition. The difficulty in defining law is not necessarily an issue of legal pluralism, but rather an issue of the "... epistemological status of our concepts" (Patrignani, 2016: 713). Similarly, Kleinhans and Macdonald (1997: 33) questions the critique of a deficient definition of law, stating that such critique simply favors state law.

In this thesis, legal pluralism is understood in the strong sense as described by Griffiths (2002: 302) and Merry (1988: 873) as the existence of more than one normative order in society and that legal and non-legal norms may both organize social life.

### 4.3 Power

Michel Foucault sought a flexible model of power, functioning locally in reference to history (Arribas-Ayllon & Walkerdine, 2008: 92). To Foucault, human practices are results of decision making, power struggles and coincidences of the past (O'Farrell, 2013: 170). Foucault's theory of power remains his most known (ibid.: 177). It is therefore also the main concept I was inspired by to analyze the findings and identify power for incentives in sustainability reporting. Foucault investigated institutional exertion of power over individuals, and peoples' acceptance or resistance to this, i.e. the everyday power relations (Howell, 2013: 174). To Foucault, power is a structure's capacity to change another structure. Power is dependent on actors' freedom to make choices, i.e. to decline an order despite a potentially violent response. In such extreme cases, power has exceeded its limits and turned into a different relation than the power Foucault talked of (O'Farrell, 2013: 178). Power is an implicit and active process working through what Foucault

called discourse (Howell, 2013:175-176), i.e. sets of statements having a constructive role (Potter, 2008: 218). Discourses produce how we understand and communicate things (Kendall & Wickham, 1999: 34).

Power is not a possession of superiors (ibid.: 50), but a relation only existing when power is exercised (Howell, 2013: 175-176; O'Farrell, 2013: 178). It is not a characteristic of the State alone, but works on all social levels and fields, thus plural in its source. Dominant groups are so due to a historical set of actions by large groups. Tracing such power relations illuminate that power is not absolute, and that resistance always follow power and is crucial for the exercise of power (Kendall & Wickham, 1999: 50; O'Farrell, 2013: 178). To Foucault, systems should be constantly questioned in relation to truth and power (O'Farrell, 2013: 170). His relativism of truth is criticized, claiming his notion states truth simply to be what those in power allow us to know and believe (ibid.: 177). He claimed truth and power to be relative, though not knowledge to be fully guided by those in power. Instead, he argued that people, within their limitations of life, geography, culture etc. continuously restructure words and things to create understanding and manage their social and physical reality. His relative stance to truth does not claim history or sciences illogical or illusive. What he meant was that there are multiple truths (ibid.: 178).

For my analysis of the power to influence sustainability reporting, power inspired by Foucault's notion is the crucial concept adopted and seen as the continuous and relative relationship between actors on who and what decides and influence the field of sustainability reporting. The concept of power will be used to analyze the creation and transformation of the field of sustainability reporting in combination with legal pluralism and stakeholder theory, to identify power relations in motivating sustainability reporting and its regulation. Power is mainly applied to explain the results, in combination with legal pluralism and stakeholder theory. A Foucauldian inspired stance to power is adopted, as it allows for a relativistic perspective making it compatible with the potential legal pluralism of the field of sustainability reporting.

## 4.4 Relevance of theories

Legal pluralism is socio-legally relevant as it explores human behavior and norms in relation to law, questioning the relation between various forms of law and norms. Legal pluralism offers a perspective where the state is one element of law guiding social behavior, but not the only system doing so (Griffiths, 2002: 202). Legal pluralism is relevant to illuminate social behavior, here sustainability reporting based on incentives experienced by pharmacies, in its relation to law. Consequently, legal pluralism might stem from a social field, but the creation of law is in itself a social process. As previous research showed social norms highly important in guiding and demanding CSR, investigating the Swedish pharmacy industry from a perspective of legal pluralism is interesting, in order to examine whether the industry at hand is governed similarly as those studied in the past. The field of CSR has previously been guided by social norms, but as it now will be more closely regulated, it is of interest to see how legal and social norms may impact the field. Additionally, legal pluralism has not been widely used in the literature reviewed, and applying legal pluralism could fill a knowledge gap in regards to the impacts of legal norms relative to social norms more specifically. Legal pluralism also offers a potential to analyze incentives, as of interest in research question one regarding incentives sustainability reporting in the Swedish pharmacy industry, and the potential impact of various forms of legality as of research question three.

Moreover, sociology of law is the study of human behavior in society related to law, based on the norms such behavior is ruled by and the norms behavior itself influence (Timasheff, 1937: 225-227). Sociology of law is also the study of the relation between law and social domains like economics (ibid.), which sustainability in business certainly is part of. Thus, legal pluralism may offer insight in the relation between social behavior, law making, business and sustainability reporting. Additionally, legal pluralism has been critiqued for being an essentially social theory, focusing more on social functions than legal. Still, as stated, law is in itself social and legal pluralism deals with laws of different origins within a specific social field (Griffiths, 1986: 38), here used to illuminate social and legal norms

within sustainability reporting. Legal pluralism has also been criticized for its descriptiveness, which has been dealt with by applying several theories in data analysis.

Contrarily, the stakeholder theory is more of a CSR-based theory than social or legal. It focuses on who, apart from legal authorities, can do the influencing on corporate governance and behavior. However, the stakeholder perspective on both internal and external influencing that, in combination with legal pluralism, makes it relevant for sociology of law. The stakeholder theory allows for an analysis of how social behavior (stakeholders' action and choices) can impact a social and legal field (company behavior and non-financial disclosure legislation). It may offer understanding as to why and what influencers shape corporate behavior. In this, it is a potentially fruitful way to illuminate how stakeholder norms may impact sustainability reporting and is part of the potential legal pluralism of sustainability reporting.

In order to identify the essential incentive and motivation for sustainability reporting, power provides understanding of relations between social and legal norms, as well as superior and subordinate groups. It is a tool that helps understanding what sustainability is and its value by identifying the leading actor and their actions in relation to those of less influence. Still, the applied power theory does not provide a complete picture of the reasons for power relations and their construction, as much as it works to explore how various actor and norms may influence the investigated field.

## 5. Legal and historical context

This chapter commence with a section on today's legal situation regarding sustainability reporting. Additionally, the history of CSR and sustainability is presented, setting the historical context to which today's field of sustainability reporting relate to. The chapter also presents and analyze findings collected in interviews and documents, answering the research question regarding how the industry define sustainability.

### 5.1 Sustainability now and then

This section will set the context within which sustainability reporting operates, presenting general EU law, the Amending Directive and its national implications. Additionally, brief historical presentations of sustainability and the Swedish pharmacy market are given. Apart from setting the present and historical context, this section will answer how sustainability is defined within the industry and in which main legislation non-financial reporting is regulated.

#### 5.1.1 Law in the EU

The EU's legal framework is based on primary laws, treaties, upon which the union is built. Treaties are binding agreements between the Member States, containing the EU's objectives, rules for institutions, decision-making and the relationship between the union and its members. The bulk of law that builds upon the treaties, namely regulations, directives and recommendations etcetera is called secondary law (European Commission, 2017). Regulations automatically applies to all Member States, thus need not be transposed, i.e. incorporated into national law, in each country. Directives, on the other hand, pose requirements Member States must

achieve, but they are not automatically transposed. Therefore, directives require Member States to adopt individual measures to transpose them within two years of the directives adoption. Decisions are legally binding acts that apply to one or several Member States, companies or individuals. Decisions only need to be communicated with those concerned and need not be transposed into national law (European Commission, 2017).

Recommendations are not legally binding, but are the EU's institutions' recommendations and views on an action. Opinions, in which such institutions make statements, are not legally binding either, yet both delegated and implementing acts are. A delegated act enables the Commission to complement or mend non-essential parts of EU legislation. Implementing acts qualify the Commission to set conditions making sure EU laws are uniformly applied (ibid.). In addition to EU regulation, each Member State has its own national legal system. Thus, the EU and the Nation State are both originators of legal norms. Consequently, the EU and its Member States result in a form of legal pluralism. It is not plural in the sense that law is not centrally validated, but since more than one legal order (International and National) is operating within a nation state simultaneously (Griffiths, 2002: 289). Legal pluralism is evident when the same area is regulated by different legal orders, which is the case when it comes to EU law in the form of a Directive. The Directive sets general standards to be met on an area, here sustainability reporting. The same area is regulated nationally to meet the demands of the Directive. Thus, the same area is regulated on different levels and by different systems (International and National). Though the national legislation may be more stringent than the international, the regulations focus on the same area. The pluralism is thus the two authorities' different takes on regulating sustainability reporting. A potential pluralism also lies within the more general EU; each state is allowed to pass their own measures to meet the Directive, and various states may have various types of law and demands for the area of sustainability reporting. The potential pluralism will be further discussed later on.

### **5.1.2 The Amending Directive and its implications in Sweden**

The Amending Directive 2014/95/EU was accepted by the EP and the Commission in October 2014. It amends the Accounting Directive 2013/34/EU to involve non-financial disclosure in certain large corporations' and groups' Year-End-reports (EUR-Lex, 2014). For instance, article 19a demands large public-interest companies with an average of 500 or more employees to include non-financial information on sustainability and diversity with the financial report. Article 29a demands parent undertakings with an average of 500 employees or more to do the same (ibid.). If incorporated in Swedish law, with minimum requirements posed in the directive, 100 of Sweden's largest stock noted companies would be affected (Svenskt Näringsliv, 2015: 5).

As it is a directive, it is up to each Member State to decide for themselves how to meet the demands set in the directive. On 1<sup>st</sup> December 2016, Sweden implemented alterations to the Swedish Accounts Legislation (1995:1554) in regards to reporting on sustainability and diversity policies, however, it does not affect smaller businesses (Wolters Kluwer, 2016). Nevertheless, the Swedish government has decided to set the bar for which businesses to include lower than the EU, including a larger number of companies in the reporting legislation. Instead of the 100 affected if the minimum requirements of the directive applied, around 2 000 companies are impacted by the alterations (Svenskt Näringsliv, 2015: 1, 5). In the alterations to the Swedish Accounts Legislation (1995:1554) 6 chapter 10 §, companies having more than one of the following;

- an average of 250 employees the past two financial years,
- a balance sheet total exceeding 175 million SEK the past two financial years, or,
- net sales of the past two financial years exceeding 350 million SEK,

are by law bound to include a sustainability report.

The Amending Directive has also resulted in suggestions to alter Accounts Legislation (1995:1559) for Credit Institutions and Security-Paper Companies,

Accounts Legislation (1995: 1560) for insurance companies, Savings Bank Act (1987:619), Act (1987:667) on economic associations, Foundation Act (1994:1220), Act (1995:1570) on member banks, Annual Audit Act (1999:1079) and Stock Registered Companies Act (2005:551) (Department of Justice, 2014). These laws are not investigated further as most are not applicable to the pharmacy industry, nor relevant in regards to the research questions' and the aim's focus on sustainability reporting.

Ahern (2016) found the Amending Directive a regulatory incentive for sustainability reporting, which will prove evident in this thesis' findings as well. The legal framework is setting the context for sustainability reporting, in what is required and what is not. It is within these legal boundaries sustainability reporting today functions and the legal requirements are tools of power to guide corporations into sustainable business, a discussion elaborated further in chapter six.

### **5.1.3 History of Corporate Social Responsibility and Triple Bottom Line**

In order to grasp the impact regulation has had on the field of sustainability reporting, it is crucial to present the history of CSR and sustainability reporting to identify shifts in relations and power. Concerns for environmental impacts in manufacturing emerged during the second half of the 20<sup>th</sup> century. Since then, both in practice and academia, the strive has been towards understanding management of both environmental and social sustainability (Alblas et al., 2014: 514). However, within academia, CSR has been present since the 1920s. Then, CSR involved aiding people outside the labor market (Freeman, 2011: 420). To some, CSR stemmed from industrialization and was a counteractive response to globalization, creating a renewed interest in corporations' actions (Fernholm, 2013: 29). The most influential contribution to the concept of CSR was made by Howard R. Bowen during the 1950s. His discussion on corporations' social and societal responsibility laid grounds for the popularity of the research field within academic circles (Freeman, 2011: 420).

The public interest in CSR born in the 1970s was impeded by the financial troubles of the 1980s. It reawakened, though, after several corporate scandals demanded for better actions and transparency (Buhmann, 2006: 194; Kolk, 2003: 279-280). The reporting on non-financial information has since increased, and has changed from Corporate Environmental Reporting (CER) during the 1990s to include the full triple bottom line (People, Planet and Profit), i.e. CSR, in the 21<sup>st</sup> century (Bobe & Dragomir, 2010: 271; Kolk, 2003: 287). Thus, interest in and practice of sustainability reporting has grown and changed over the years.

#### *Triple Bottom Line*

The Triple Bottom Line (TBL) was developed by John Elkington in 1994, and is often referred to as the three pillars of sustainability: People, Planet, Profit (Roberts, 2014: 316). TBL is based on the idea that corporations have responsibilities apart from profit, and can be judged on their performance in regards to social and environmental aspects as well (Borglund et. al., 2012: 145). Planet refers to maintaining and repairing the health of living systems and respecting the limits of the eco-system. The People-pillar involves social equality. Lastly, Profit includes the fair distribution of resources, increased quality of life, and sustainable economic growth. TBL recognizes that we cannot solve one problem in isolation, as they are all connected. Therefore, we need to strive for a society in which both we and the planet are healthy, whilst maintaining economic opportunity for all (Roberts, 2014: 5-6).

Because of the introduction of the concept, sustainability reporting grew more common amongst companies (Borglund et al., 2012: 145). TBL-reporting involves both non-financial and financial information, but applied to a broader set of stakeholders than just shareholders. Such reports are used by various stakeholders to compare companies and their actions, and based on them, stakeholders can either award or punish companies by choosing how and where to spend their money (Bobe & Dragomir, 2010: 271).

## 5.2 Sustainability reporting as represented in the data

The fact that so few pharmacies wished to participate in my research is a result in itself. It suggests a general lack of interest and time for sustainability reporting, as many refusals was motivated by lacking reports or lacking time. Only Apoteket declined due to a high sustainability reporting commitment at the time and consequently lacking time to participate, indicating a high interest in sustainability generally. Additionally, the shortfall confirms that previously absent legislation left the power to define and organize sustainability initiatives and reports to corporations, also found by Ahern (2016: 600).

Similarly, the general lack of sustainability reports indicates the field was not very active prior to legislation. Of the forty-three individual pharmacy actors approved by the Swedish Medical Products Agency, two have publicly available annual reports with a sustainability section for 2015 and 2016, the most recent reports published. This leaves forty-one companies' sustainability incentives and actions publicly unreported, which could point to a general disinterest. However, many of the individual actors are one-pharmacy actors, and has little resources for and impact on sustainability. The two who had published reports, are Apoteket and Apoteksgruppen, major chains. Apotea started their reporting spring 2017, due to a coming legal requirement (Apotea Interview, 2017). Kronans Apotek will also initiate reporting due to new legal requirements (Kronans Apotek Interview, 2017). Evidently, legal requirements tend to be more important influencers than social norms, which will be further discussed later, pointing towards what both Iannaou and Serafeim (2014) and Ahern (2016: 600) found: regulatory incentives improve sustainability reporting.

### *Defining sustainability*

Definitions of sustainability is identified in both interview and document data. The pharmacies define sustainability in one of two general ways. In the interview, Kronans Apotek claims to adhere to a definition inspired by the Brundtland

Report<sup>45</sup>, i.e. “A development which satisfies today’s needs without jeopardizing coming generations’ ability to provide for theirs” (Kronans Apotek Interview, 2017). Apoteket, though not explicitly stating such limits of development, applies a similar definition in motivating their sustainability policy with the wish to contribute to a “...society we want to live and develop in today, one which we proudly can pass on to coming generations.” (Apoteket, 2015a 1). Their vision is “... a life of health and we wish to contribute to a sustainable development in society.” (Apoteket, 2016: 10). Moreover, Apoteket (2016: 10) found their sustainability work on the United Nations Global Compact principles for human rights, anti-corruption, labor law and the environment.

Another occurring definition can be traced to the pillars of TBL, as business is described to rest on financial, environmental and social aspects (Apotea Interview, 2017; Apotek Hjärtat, 2017a: 1; Apoteksgruppen Interview, 2017). For instance, Apoteket (2015a: 16) claims sustainability to include financial, environmental and social issues, i.e. Profit, Planet, and People. Furthermore, Apotek Hjärtat (2017a) considers sustainability not to merely be the minimization of negative impact, but the maximization of positive influence on society. Apotea identifies Profit as a fundamental business value, as profit is crucial for the survival of the company. Still, they regard both People and Planet as part of the sustainability issue and state a balance between the TBL pillars (Apotea Interview, 2017). Similarly, Apoteket considers sustainable business a prerequisite for long term profitability, balancing People, Planet and Profit (Apoteket, 2015a). Apotek Hjärtat also refer to their sustainability as based on TBL (Apotek Hjärtat, 2017a). Contrarily, Kronans Apotek does not refer to the TBL pillars in full, just People and Planet-like arguments, whilst Apoteksgruppen mention them all, but elaborate none (Apoteksgruppen Interview, 2017; Kronans Apotek Interview, 2017).

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<sup>45</sup> The Brundtland Report Our Common Future is a report published in 1987 by the UN’s World Commission on Environment and Development (NE.se, 2017). It defined sustainability as “...development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” (Brundtland Report, 1987: 41)

On the fundamental level of definitions, there are discrepancies in choice of definition, varying from TBL to limits of development. Such differences impact the practice of sustainability reporting; it creates varying basis on which practice is organized. For instance; is the chosen focus of sustainability reporting self-improvement as stated by Apotea (Apotea Interview, 2017) and in line with the long-term profit (TBL), or rather like Kronans Apotek's wish to aid society in challenges met whilst not jeopardizing coming generations access to resources (Kronans Apotek Interview, 2017)? Regardless, the definitions set a pattern around which communication of sustainability reporting is organized, creating rules for what is acceptable as statements (Kendall & Wickham, 1999: 41) within the field of sustainability reporting. What all pharmacies have in common is their expressed wish to contribute to sustainability in society and the belief that sustainability within the three P's is required for an ongoing business operation (e.g. Apotea Interview, 2017, Apoteket 2015a, Apotek Hjärtat, 2017a; Kronans Apotek, 2017a). All mention or elaborate the pillars of TBL, and a somewhat joint definition of what sustainable business is can therefore be identified. The context of the practice and field of sustainability reporting is thus set by defining sustainability as a development with no risk to future generations, and its three areas of People, Planet and Profit.

## 6. The Swedish pharmacy industry

The following chapter present and analyze findings in regards to the research questions of which incentives are identified for sustainability reporting, which the stakeholders are and to what potential extent external incentives and legalities impact sustainability reporting practice. The findings are discussed in relation to the theories of power, legal pluralism and stakeholder theory, as well as connected to previous research. The chapter is based on data from both interviews and documents.

### 6.1 Investigated pharmacies

In 2009, the Swedish state monopoly in the pharmacy market from 1971 was dissolved. A major reason for deregulation was availability; Sweden had the second worst availability in terms of pharmacies per capita in Europe (Apoteket, 2017a; SOU 2008: 4, 569; Sveriges Apoteksförening, 2017). During deregulation, over 600 of the then 900 state-owned pharmacies were sold (Apoteket, 2017a) and since, the number of pharmacies has risen to approximately 1 300 pharmacies. On an average day, these pharmacies have about 300 000 customer visits (Sveriges Apoteksförening, 2017). The following presented pharmacies are those from which data was collected by interviews<sup>46</sup>, reports<sup>47</sup> and policies.<sup>48</sup>

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<sup>46</sup> Apotea, Apoteksgruppen and Kronans Apotek

<sup>47</sup> Two sustainability reports each from Apoteket and Apoteksgruppen

<sup>48</sup> Apoteket, Apotea, Apotek Hjärtat and Kronans Apotek

### **6.1.1 Apoteket**

Apoteket, founded in 1971, is state-owned and had net sales of approximately 19 600 million in 2015 (Apoteket, 2015b: 3, 6) and 20 000 million in 2016 (Apoteket, 2016: 9). Apoteket has 3 300 employees and 94 000 customers daily in their pharmacies (Apoteket, 2015b: 3, 6; Apoteket, 2016: 4; Apoteket, 2017b), almost a third of all 300 000 total pharmacy visits a day. They have both sustainability reports (2015 and 2016) and a sustainability policy publicly available on their website, and started reporting in 2012 (Apoteket, 2017c).

### **6.1.2 Apotek Hjärtat**

Apotek Hjärtat was founded in 2009 and is the largest private-owned pharmacy chain in Sweden with its 390 pharmacies and 3 000 employees (Apotek Hjärtat, 2017b). The net sales in 2015 was 12 300 million (ICA Gruppen, 2015). It is owned by ICA Gruppen AB and the sustainability report is incorporated in the joint undertakings of ICA Gruppen AB and facts about the pharmacy's sustainability is not distinguishable (ICA Gruppen, 2015; Apotek Hjärtat, 2017c). However, Apotek Hjärtat has a separate sustainability policy.

### **6.1.3 Kronans Apotek**

Kronans Apotek was founded in 2010 and is today fully owned by Oriola-KD Corporation, a corporation group registered to the Helsinki Stock Exchange (Kronans Apotek, 2017b; Kronans Apotek, 2015: 2). The corporation has more than 300 pharmacies, 2 200 employees and net sales of 7 130 million, making it the third largest pharmacy actor in Sweden (Kronans Apotek, 2017c; Kronans Apotek, 2015: 4). Kronan has a sustainability policy publicly available. Kronan has not previously reported on sustainability, as they are part of a Finnish corporate group and has followed Finnish law for reporting. However, as of 2017 they will start reporting due to new Swedish legal requirements (Kronans Apotek Interview, 2017).

#### **6.1.4 Apoteksgruppen**

Apoteksgruppen was founded in 2009 and is state-owned (Apoteksgruppen, 2017), but the individual pharmacies are owned by self-employed individuals (Apoteksgruppen, 2015: 7). It is a member-based organization, in which members obtain access to for example a joint product range, quality controls, organizational systems and marketing. In January 2016, it had 169 member pharmacies, run and owned by 180 self-employed traders. In total, 730 people are employed within the corporate group. This makes it the fourth largest pharmacy actor in Sweden, with a 3 500 million yearly revenue for 2015 (Apoteksgruppen, 2015: 2-3) and 3 670 in 2016 (Apoteksgruppen, 2016: 2). They have reported on their sustainability commitments since 2012 (Apoteksgruppen Interview, 2017).

#### **6.1.5 Apotea**

Apotea is Sweden's first online only pharmacy and has no physical stores. Since 2011, it is approved by the Medical Products Agency to run a full-scale pharmacy online (Apotea, 2017a). The pharmacy's net sales in 2015 was approximately 585.5 million and they had an average of 100 employees (Apotea, 2015: 2, 8). They have a publicly available policy on sustainability, but did not start specific sustainability reporting until spring 2017 (Apotea Interview, 2017).

### **6.2 Power and pluralism in sustainability reporting**

This section presents and analyzes findings in interviews and documents by connecting them to theories of power, legal pluralism and stakeholder theory in a power-focused analysis. Findings are also related to those of previous literature, as the data set turned out limited. This section will answer which the relevant stakeholders are, the external and internal incentives and if various forms of law can be identified to impact sustainability reporting practice. In appendix 4, tables used to structure and code the data can be found.

### **6.2.1 Stakeholders; their incentives and potential power**

There is great variation as to which stakeholders and how many such groups the pharmacies identify or mention in both documents and interviews. What is unison, is the identification of both internal and external stakeholders. Additionally, only one stakeholder group is mentioned by all pharmacies, as presented in table 1, appendix 4; the external stakeholders of customers. Apoteket (2016: 13) states consumers pose increasing demands on companies regarding responsibility and contribution to sustainable development. Such customers are ranked highest in decision-making by two of three interviewed pharmacies, but outranked in Apoteksgruppen's prioritization in decision-making by member pharmacy owners (Apoteksgruppen Interview, 2017). Contrarily, Apotea and Kronans Apotek consider customers their highest prioritized stakeholder; as stated by Apotea (Apotea Interview, 2017) "The customers are everything. Their opinions matter most." This statement suggests a potential power of customers to influence the operations. By acknowledging customers as fundamental to business operation, Apotea recognizes customers' power to influence. The costumers' tool of power is their money: where they choose to spend shows their demands, as found by Buhmann (2006), consistent with the strategies of influence<sup>49</sup> presented by Hirschman (1970) (in Freeman, 2010: 18-20). In line with the statement of customers as number one, Apotea means sustainability initiatives make customers happy (Apotea Interview, 2017), and that such initiatives improve stakeholder relationships was also found by Min and Esposito (2017). Satisfying the needs of stakeholders and engaging them is, according to Jensen (2002: 67), required to maintain profitability. Still, Apotea does not report due to customers, but due to law. Likewise, Kronans Apotek identifies customer expectations on reporting, but has until now not reported.

Consequently, Apotea and Kronans Apotek also has power relative to customer expectations and demands, in regards to deciding what demands to incorporate into

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<sup>49</sup> Exit, complain and loyalty. See 4.1 Stakeholder theory.

business operations. Thus, it suggests that the pharmacies have previously been free to ignore consumer demands on reporting, a power of freedom to decide and decline demands, despite potential negative consequences (O'Farrell, 2013: 178), like lost customers. The power of both actors is evident, but to various degrees. Though the customers have a theoretical claim to power by steering consumption, their expectation on sustainability reporting is largely ignored. The actors with factual power is thus the pharmacies, who use their power to ignore customer demands and consequently negating customer power.

Apart from customers, the identified external stakeholders differ from society at large to state authorities, NGOs, patient groups, suppliers, etcetera.<sup>50</sup> Apotea (Apotea Interview, 2017) mentions that partnership initiatives, like cooperation and charity work for NGOs like World Wildlife Foundation (WWF), pose demands on business sustainability. That state authorities and NGOs pose demands on sustainability actions in regards to toxins and environmental demands is also identified by Apoteket (Apoteket, 2015a: 13). These demands posed by other stakeholders, could be closer to a guiding set of norms than customer influence. However, similar to customer demands, criteria set by other external stakeholders are for other sustainability activities than reporting. For instance, Apotea (Apotea Interview, 2017) states to cooperate with WWF, who only accepts donations from businesses meeting specific sustainability criteria and goals, thus, creating external pressure. This external pressure is a form of social control; it sets norms that must be adhered to in order to be accepted. If not met, in this case Apotea, would not be approved for cooperation and marked as “bad” is reference to demands posed. Such demands are, for one, a tool of power to guide business in a desired direction for authorities and NGOs. It is the stakeholder’s possibility to exercise power over another group, i.e. what Foucault said to be the ability one structure has to change another (O'Farrell, 2013: 178) and construct what makes a good and bad company. In this case, it is WWFs impact on Apotea that becomes evident, their criteria define what is needed to be deemed a good company. Secondly, it provides a potential for

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<sup>50</sup> See appendix 4, table 2.

legal pluralism. The demands posed by WWF is necessary to follow to enable cooperation. If not respected, a negative consequence follows (ended cooperation). Still, the demands are not state validated (Griffiths, 2002: 289), yet still guide sustainability initiatives and is thus a form of legal pluralism. Consequently, in accordance with strong legal pluralism, stating both legal and non-legal norms potential organizers of social life (Griffiths, 2002: 302; Merry, 1988: 873), stakeholder demands like the WWF's are norms that guide life, without state validation. Additionally, such demands suggest, as Gurvitch's inter-group law, exchanging groups can be linked by other means than state law (Dupret, 2007: 297). Thus, the opinions of an external stakeholder like customers may influence business operation, as confirmed by Alblas's (et al., 2014) findings of external influence as fundamental.

#### *Owners and size*

Like the external, internal stakeholders differ between the pharmacies. Owners and boards are important, but not mentioned by all.<sup>51</sup> All but one identify employees as internal stakeholders.<sup>52</sup> Owner expectations are crucial to Apoteket, who state "Apoteket's owners expect Apoteket to be profitable long-term and to act exemplary..." (Apoteket, 2016: 17). Sustainability should be self-evident in business strategy and integrated in operations (ibid.). Additionally, internal owner influence, is identified by Apoteksgruppen; "As state-owned, it falls on Apoteksgruppen to be a good role model regarding sustainable business operations." (Apoteksgruppen, 2015: 14).

The investigated pharmacies represent the largest<sup>53</sup> on the market and one specialized on online sales.<sup>54</sup> Two of the pharmacies are state-owned<sup>55</sup> and the rest private. Both size and ownership show tendencies to potentially influence

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<sup>51</sup> See appendix 4, table 2.

<sup>52</sup> See appendix 4, table 2.

<sup>53</sup> Apoteket, Apotek Hjärtat, Kronans Apotek and Apoteksgruppen.

<sup>54</sup> Apotea.

<sup>55</sup> Apoteket and Apoteksgruppen.

sustainability reporting. For instance, when sampling sustainability reports and policies, the one-store actors had neither policies nor reports publicly available. This suggests that not only will smaller businesses like these not be impacted by the new legislation, but that sustainability activities could be a matter of resources. Smaller actors might not have the means, in time or competence, to actively work on sustainability, regardless of potential external non-legal pressure. More importantly, as new law does not impact these pharmacies, the lack of reports also suggests that the stakeholder pressure on reporting is not great, or alternatively, that stakeholder demands are not adapted to. The smaller businesses are, thus, still operating within the voluntariness of sustainability reporting and possess the power to decide whether or not to partake in the new and regulated sustainability practice. However, it is questionable if a large enterprise automatically entails sustainability reporting. In the voluntariness of before, only two<sup>56</sup> of Sweden's five largest pharmacies reported. Two interviewed<sup>57</sup> both identified customer expectations on sustainability reports, but did not report until legal requirements demanded them to. The ones who did have reports are owned by the Swedish state<sup>58</sup>, and both stated owner expectations on sustainability; "Apoteket's owners expect Apoteket to be profitable long-term and to act exemplary within areas of human rights, working conditions, the environment, anti-corruption, business ethics, equality and diversity" (Apoteket, 2016: 17), areas based on their definition of sustainability. Apoteksgruppen also claimed an owner requirement; "As owned by the Swedish government, we are required to report in accordance to GRI."<sup>59</sup> (Apoteksgruppen Interview, 2017). In regards to owner demands, the state-owned pharmacies are required to report in ways private companies have not been. For instance, the State Owner Policy pose demands on sustainable business and reporting based on international guidelines like the UN's Global Compact; "...corporations with state-

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<sup>56</sup> Apoteket and Apoteksgruppen.

<sup>57</sup> Apotea and Kronans Apotek.

<sup>58</sup> Apoteket and Apoteksgruppen.

<sup>59</sup> Global Reporting Initiative. An international independent organization, aiding businesses, governments and alike to make sense of and report on sustainability issues connected to their operations (GRI, 2017).

ownership shall communicate their work on sustainable business, both internally and externally.” (Ministry of Industry, Employment and Communications, 2017: 4). The expectation on state-owned pharmacies to report is presented in a state policy for state-owned companies.

Consequently, depending on the owner structure, various demands are posed. State-owned pharmacies have strong owner demands on sustainability, as they represent the Swedish Government (Apoteksgruppen Interview, 2017; Ministry of Industry, Economics and Communications, 2017: 4-5). The private pharmacies do not report such demands on being role models for sustainability work (Apotea Interview, 2017; Kronans Apotek Interview, 2017). Legally, however, state-owned companies are not impacted by other laws than private companies are (Ministry of Industry, Employment and Communications, 2017: 5). Consequently, private-owned pharmacies tend to not experience non-legal demands via reporting policies to the same extent state-owned pharmacies do.

#### *Customers' influence on reporting*

Though expectations from customers are identified incentives for sustainability actions, they are not necessarily demands for sustainability reporting. Customer expectations were not identified as a reporting incentive by others than Kronans Apotek (Kronans Apotek Interview, 2017) and Apotea (Apotea Interview, 2017) and less important than assumed based on the literature review (e.g. Alblas et al. (2014) found customer influence fundamental, as did Brønn & Vidaver-Cohen, 2009, and Graafland, 2002). Instead, customers rarely ask for a sustainability report, but for factual actions taken (Apotea Interview, 2017). Thus, Apotea does not experience expectations from customers to report, but rather to act sustainably (Apotea Interview, 2017). Similarly, Apoteksgruppen experience customers' demand for sustainability activities as increasing, but not for the reporting itself (Apoteksgruppen Interview, 2017).

Contrarily, Kronans Apotek experience customers' demand on sustainability reporting to be growing, and that a report is expected to exist (Kronans Apotek Interview, 2017). Dienes (et. al., 2016) found that companies' reporting behavior

likely adapt to both internal and external expectations, which could be seen as a form of social control without state law, similar to Ehrlich's notion that social control is everywhere, not just in legal norms (Dupret, 2007: 297). However, as no pharmacy experience to be ruled by customer demand on sustainability reporting, such social control is not found. Additionally, the notion is divided in the results. Kronans Apotek experience external expectations to report, but due to internal structure, they have previously not needed to (Kronans Apotek Interview, 2017). Apotea, contrarily, has not experienced clear external expectations, and until now has not reported on sustainability (Apotea Interview, 2017). Thus, a low customer expectation on reporting might explain why reporting is as uncommon as it is and only done by two of forty-three pharmacies. Consequently, reporting is seemingly not a requirement or necessity to maintain customer relations as Page et. al. (2015) found some pharmaceutical companies to think. Yet, Apoteksgruppen does not experience customers' expectancy on sustainability reports, but still reports. They motivate their reporting with requirements based on them being state-owned, as previously discussed (Apoteksgruppen Interview, 2017). Apoteksgruppen's internal owner expectation is thus a stronger incentive and requirement for reporting than external customer demands, further discussed in 6.2.3 A pluralism of influence?

There were some contradictory statements on customer influence on reporting among the interviewees. For instance, Apotea (Apotea Interview, 2017) stated the experienced customers' demands to be on sustainability activities, and not reporting. The same statement was made by Apoteksgruppen (Apoteksgruppen Interview, 2017). However, Apotea (Apotea Interview, 2017) also stated customers to be an experienced incentive for reporting. Defining customer influence is fleeting and undecided, and consequently so is the view within the sustainability reporting practice on customer influence. The lack of a unison view on customer influence, in combination with the customers' weak power to impact sustainability reporting, as experienced by the pharmacies, suggest there is no legal pluralism guiding sustainability reporting in regards to social norms operating simultaneously as legal norms. The social norms and customer influence is rather focused on actions and

certification of goods, potentially because that is an area the customers know more about and where they can observe a change. As the findings of this research is that of the pharmacies' experience on sustainability reporting incentives, the general social norms have not been investigated on a wider spectrum of actors. Thus, I could not identify any legal pluralism guiding sustainability reporting experienced by the pharmacies themselves as no social norms, apart from one state policy for state-owned companies, initiate reporting. The main influencer is instead legal demands.

#### *Profit and other non-legal incentives*

Apotea identified the potential to improve themselves as a fundamental incentive for sustainability reporting; "The strongest incentive is improving ourselves." (Apotea Interview, 2017). Other internal incentives identified are profit and owner expectations (Apotea Interview, 2017; Apoteket, 2015b; Apoteksgruppen Interview, 2017). In only three pharmacies internal incentives were identified and in two of them profit was identified (Apotea Interview, 2017; Apoteket, 2015b: 14, 16). Jensen (2002: 67-71) said businesses to have only one objective at a time: profit or sustainability. However, profit as a fundamental incentive, as stated by Apotea (Apotea Interview, 2017) and Apoteket (2015b: 14, 16), relates to Jensen's (2002) enlightened stakeholder theory. It considers value maximization and profit the core purpose of businesses (ibid.), which Apotea (Apotea Interview, 2017) says to be "...the air we breathe and is therefore fundamental for all other initiatives.". Still, enlightened stakeholder theory does not ignore meeting the needs of stakeholders as part of value maximization (Jensen, 2002: 67, 78). Windsor (2002: 88) too consider stakeholder interests fundamental in creating long-term value for business. This is identified by Apoteket; improved profitability is a result of sustainability, as they find a sustainable organization to create added value to the business (Apoteket, 2015a: 14). This was also found by Min and Esposito (2017) when investigating CSR's impact on pharmaceutical profitability.

Contrarily to internal incentives only identified in three pharmacies<sup>60</sup>, in all pharmacies external incentives were identified. For instance, a common argument is the creation of a healthy world (Apotea Interview, 2017; Apotea, 2017b; Apoteket, 2015a: 16). Additionally, wanting to help solve and not create societal issues is stated (Kronans Apotek Interview, 2017). In this, the pharmacies relate to the societal discussion on sustainability and a potential way to create a good image. It is, somewhat, a societal pressure on pharmacies to behave specifically, or again, as Foucault would put it; one system's power to influence another (O'Farrell, 2013: 178).

The varying stakeholders and incentives identified suggest two things. One; stakeholders and incentives can vary even within an industry. Nazari (et al., 2015) found companies with the same stakeholders to behave differently, so the fact that companies identifying different stakeholders act differently and present different motivations, should not be surprising. And two; that the pharmacies have the power to decide who is important enough for continued operations to be considered in decision-making.

### **6.2.2 Law and its incentives**

My findings contradict those of Buhmann (2006), who found social norms to be the main guidance for CSR and sustainability reporting. My findings rather suggest that legal norms are those guiding reporting practice, as it is legal and not social norms that are given as motivations for reporting. The applicable national non-financial reporting legislation is foremost found in the Swedish Accounts Legislation (1995:1554), and its additions and amendments in chapter 6 and 7 following the Amending Directive. The amendments force certain companies<sup>61</sup> to include sustainability and other non-financial information in annual reports, or set up

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<sup>60</sup> Apotea, Apoteket and Apoteksgruppen.

<sup>61</sup> Having two of: an average of 250 employees, balance sheet over 175 or net sales over 350 million the past two years.

separate sustainability reports, succeeding 2016. All investigated pharmacies but Apotek Hjärtat identified legal requirements, as table two and three shows.<sup>62</sup> Apotek Hjärtat also had limited information available within the sample criteria, thus, their reference to legal requirements may be handled elsewhere. Not mentioning law does not necessarily entail non-compliance; compliance might be considered so obvious it need not mentioning. However, not mentioning it may also simply suggest that Apotek Hjärtat is not impacted by legal demands on sustainability, or at least was not when their policy was written. It may also point towards how the previous lack of legislation, again, left pharmacies to their own devices in organizing sustainability reporting. Nevertheless, not mentioning something is also contributing to the creation of the sustainability reporting-field. By leaving legal demands out, legal norms are in a way stated as unaccepted within the field of sustainability reporting, as experienced by the pharmacies. However, all interviewed pharmacies acknowledged amendments in Swedish law impact them, and legal demands was identified in Apoteket's sustainability report and policy.<sup>63</sup> References to legal requirement, "... we should follow laws and rules...", were made in Apoteket's (2015a: 1) sustainability policy. Yet, no document elaborated the legal content (e.g. Apoteket, 2015b: 86, Apotea, 2017b, Kronans Apotek, 2017a). As only one pharmacy fail to mention legal demands, it is rather so that legal demands are naturally considered part of the sustainability reporting practice. Yet, some uncertainty regarding applicable legislation and how to implement it surfaced (Apotea Interview, 2017; Kronans Apotek Interview, 2017), and thus, the patterns and rules for what is acceptable within the legal framework is not yet set. For instance, Kronans Apotek and Apotea both said they would start reporting resulting from the Amending Directive (Apotea Interview, 2017; Kronans Apotek Interview, 2017). This indicates that legal requirements on sustainability reporting is more important than social norms, as customer expectations is identified, but does not alone entail reporting. It suggests, that for Swedish pharmacies, state law is the

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<sup>62</sup> See appendix 4.

<sup>63</sup> See appendix 4, table 2.

sole originator of law in this area, contrarily to legal pluralism's notion of social norms as social organizers. Additionally, due to the strong influence of state law on sustainability reporting experienced by the pharmacies, this context challenges Ehrlich's idea that state coercion does not necessarily entail acceptance of law in social life (Banakar, 2002: 42). Rather, in this case, it is in fact mainly state law that do entail change in reporting practice, and not social norms.<sup>64</sup> Legal requirements tend to result in improved reporting within the Swedish pharmacy market, similar to Iannaou and Serafeim's (2014) findings in a more comprehensive study on regulatory impacts. The legal requirements are thus, in accordance to Foucault's notion of power, structures' impact on each other; an exercise of power and coercion to compliance (O'Farrell, 2013; 178). It is the power the legal system has to impact the practice of the corporate system, in this case the pharmacies. The legal demands are the tools of power the legal system use to change how the corporate system operates, i.e. the exercise of power, whilst the corporate system has the power to either comply or not, in spite potential consequences. Nevertheless, the pharmacies tend to choose compliance.

Consequently, the industry tends to have been guided by social norms for their sustainability activities as stated by Apotea and Apoteksgruppen, but the factual reporting is directed by legal norms. The main power of influence is accordingly that of the state, and in regards to reporting, a legal pluralism is difficult to identify. This both confirms and challenges the findings of Brønn and Vidaver-Cohen (2009: 93). The norms of customers do indeed impact sustainability behavior regarding practical activities and initiatives, confirming socio-cultural norms as guiding corporate behavior. However, when it comes to the factual reporting on sustainability, the legal system tends not to be one of several influencers on corporations, but rather the main influencer apart from the state-owned pharmacies policy requirement to report, contradicting Brønn and Vidaver-Cohen's (2009) findings.

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<sup>64</sup> Apart from state policy on sustainability reporting for state-owned companies.

### **6.2.3 A pluralism of influence?**

Alblas et al. (2014) identified legal demands as fundamental external incentives for reporting, in combination with stakeholder demands. External incentives, i.e. factors from outside the organization, such as external stakeholders' expectations and legal requirements, clearly do influence sustainability activities, though to varying degrees and has various focus. For instance, as experienced by the pharmacies, customer demands and expectations impact activities like certification, but despite expectations on reports, it is not a motivation, as identified in the cases of Apotea and Kronans Apotek. Rather, it is legal demands posed from outside the company, that are experienced as setting rules for reporting that must be adhered to. Thus, social norms may be guiding certification and other sustainability activities, but not necessarily sustainability reporting, contradicting Alblas's et al. (2014) mentioned findings. The main factor making the pharmacies report was legal, and the Amending Directive's role as a regulatory driver, as found by Ahern (2016) is confirmed. The social norms of influence in the Swedish pharmacy industry tend to be of lesser importance than legal norms. It is also potential that there is no clear social norm on reporting, as found by Alblas et al. (2014), which could be another reason why social norms are not more extensively guiding for sustainability reporting within Swedish pharmacies. Accordingly, a form of legal centralism, i.e. all law stemming from the state, could be detected. Lesser normative ordering, namely social norms, are suggested to be subordinate to law, as stated by Griffiths (1986: 3), which was indicated by stating customer demands as important, yet not allowing them to rule reporting.

Consequently, the findings suggest that social norms of stakeholder pressure, is not as strong for reporting in this case as some previous research indicated (e.g. Buhmann, 2006, and Ahern, 2016). Whereas Buhmann (2006) and Ahern (2016) found stakeholder influence fundamental, my findings suggest that stakeholders are experienced as important for business generally, but not for sustainability reporting specifically. Rather, customer expectations on reporting did not initiate and guide reporting, but consumers' and NGOs' demands instead guided sustainability

activates and incentives other than reporting. Thus, the stakeholder dialogue and influence tend to be weak, which Blum-Kusterer and Hussain (2001), and more recently Dobbs and van Staden (2016), found to be true.

As stated, the findings point towards social norms having a greater influence on actual sustainable activity, like certification of products, than they do on reporting (Apotea Interview, 2017; Apoteksgruppen Interview, 2017). In this, the social demands are inter-group norms, as described by Gurvitch (in Dupret, 2007: 297), linking groups by non-legal rules, like policy demands and social contracts. In this, social norms and stakeholder influence make companies act sustainably in some ways, such as certification of goods and the view on customers as the most important stakeholders. Despite the fact that NGOs like WWF pose demands in policies on certain pharmacies' sustainability, they are similar to customer demands directed at actions and not reporting. The policies could be considered as social norms functioning as a non-state legal influence, as not adhering has negative consequences despite lacking state validation. However, the policies' direction towards action and not reporting makes them not applicable within this thesis' scope of sustainability reporting. Additionally, not even prior to legislation, stakeholder demands made the pharmacies report and social norms cannot be said to influence sustainability reporting practice within the Swedish pharmacy industry. The findings, therefore, also contradicts Buhmann's (2006) findings that norms function as pre-formal law for CSR in the case of reporting. In this case, social norms have a limited power of influence, and are directed at activities and not at reporting. Thus, Ehrlich's concept of living law is not applicable, as it is in fact state coercion that result in change of practice and organization of social life (Banakar, 2002: 42), i.e. sustainability reporting, and not social norms.

So, is there a pluralism of law influencing Swedish pharmacies sustainability reporting? Yes and no. Yes, in the sense that multiple legal authorities produce law within the EU. This can be compared to Griffiths' (1986: 8) social scientific legal pluralism, namely the co-occurrence of legal orders of different systems. The

systems are nation states<sup>65</sup> and international organizations<sup>66</sup>, and the legal orders the various levels of law (Directive and state law). The Amending Directive and state law provides two sources of legal power, in a sense resulting in more than one legal order active within the field, even though it is the Swedish legislation that is actually adhered to. In this, law is not uniform; the Directive is applied as best fit in each Member State. Law is neither governed by a single state authority; the EU and nation state both pose demands and issue consequences. This strong sense of legal pluralism considers all societies to have a plural legal order (Griffiths, 1986: 8). However, the field of sustainability reporting within Swedish pharmacies is not ruled by non-legal norms, and thus, not fully plural in the strong sense described by Griffiths (1986). Consequently, the level of law most prominent within the Swedish pharmacy sustainability reporting field is the state-law as described by Gurvitch (in Dupret, 2007: 297). It means that the state has the legal monopoly and is most influential. This is evident, as the one external influencer resulting in reporting is legal demands, as stated by Apotea, Kronans Apotek and Apoteksgruppen.

As mentioned earlier, law has a clear power in its operations, forcing individuals and organizations to act in a certain way. Though, in the Foucauldian sense, power is not central or state characteristic alone, but functions on all social fields and is exercised by all actors at different times. Thus, power is legal in its source. Had social norms had more influence on sustainability reporting, the power on this issue had been plural too. Then, power to influence had been of both state and individuals. As social norms did not impact reporting, the power to do so is in fact central and a characteristic of the state. Still, that does not leave individuals powerless, as they impact other sustainability initiatives, nor does it mean power of law is always that of the state. It merely shows tendencies within the Swedish pharmacy industry and that it identifies state authority as the main powerful guidance in reporting.

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<sup>65</sup> Sweden.

<sup>66</sup> The EU.

Legal demands tend to be more influential for two main reasons, as evident in the material.<sup>67</sup> Firstly, customer demands are mentioned by only two pharmacies (Apotea and Kronans Apotek), signifying customer influence to not be generally powerful. Secondly, though customer demand on reporting is identified, not until legal demands are implemented, reporting is initiated. Thirdly, legal requirements only proved not needed to get state-owned pharmacies to report. All this indicates that legal norms are more powerful in changing reporting practice than social norms are. In this sense, there is no legal plurality guiding sustainability reporting, as non-legal norms do not result in reporting, but instead sustainability actions. Only legal norms generate change in reporting practice, apart from in the case of the state-owned pharmacies. Therefore, in regards to Swedish pharmacies' sustainability reporting, it is state law that induce change, contradicting Ehrlich's concept of living law as other norms to also induce social change in this particular case. The Swedish pharmacies, instead, is indicated to be guided by state law for reporting and state requirements for state-owned pharmacies. As the state is the one posing both types of demands, a legal centrality in this area is identified.

#### **6.2.4 Changing practice and power**

Legal requirements are changing the practice of sustainability reporting. During the voluntariness, sustainability reporting was a vague field, with varying definitions and varying formations.<sup>68</sup> It lacked clear and unified set of rules for what was acceptable within the area. Now, however, legal requirements set clearer rules. For one, it sets the context by defining who is impacted and responsible for reporting. Secondly, it sets rules as to what the report should contain and why. The power to decide what to do and how, i.e. the function and content of the practice, has therefore shifted from the companies to the state. The practice has changed from unregulated, to regulated, and legal demands has become natural, rather than

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<sup>67</sup> See Appendix 4, all tables.

<sup>68</sup> See how the pharmacies define sustainability in different ways in Defining sustainability.

foreign. Thus, the legal requirement works to unify the previously vague area, which social norms tended not to be able to.

Moreover, the general existence of power becomes evident in the result. Stakeholders have the power to pose demands; pharmacies the power to either ignore or incorporate such demands. The state has the power to implement laws, whilst NGOs have power to set minimum-demands for cooperation. Power is also present in the relationship between the nation state and the EU, given the Directive's demands posed on Member States. Power within the Swedish pharmacy industry is, as stated by Foucault, not a possession of a superior group, but rather a trait exercised in all relations and exchanges. It is evident in the consumers' desires of sustainable goods, in pharmacies' adaption to such demands and in state implementation of law. Power is a constant, but the one exercising it is not. Still, it is the power of law that generate change. Law is therefore the powerful actor, the driving force for reporting, the superior legal order as a centralist view would provide, and social norms are not. There is thus no legal pluralism evident within sustainability reporting in the Swedish pharmacy industry. The social order stems from state law and policies, in both regulated and unregulated times.

## 7. Conclusion

This thesis investigated the Swedish pharmacy industry and its sustainability reporting, in regards to external influencers such as legal requirements and stakeholder demands. The purpose of this thesis was to examine the role of different forms of law in the creation of sustainable business. This was done by exploring various incentives for reporting and to what potential extent different levels of legal pressure influence said reporting within the pharmacy industry in Sweden. Research questions were as follows:

1. What are the incentives for sustainability reporting in the Swedish pharmacy industry?
2. Does internal and external stakeholders impact sustainability disclosure, and if so how?
3. Do various forms of law influence sustainability reporting practice in the Swedish pharmacy industry, and if so which?

The investigation was founded on a qualitative approach, initially applying e-mail and telephone interviews. As the shortfall was high, document analysis of sustainability sections in company reports and sustainability policies were added. The data were analyzed with concepts of power, sustainability aspects and various incentives, to enable a power analysis. The findings were discussed related to legal pluralism and stakeholder theory as well as connected to previous research.

It became evident that sustainability reporting is not common in the Swedish pharmacy industry, as only two out of 43 pharmacy actors had relevant and up-to-date reports publicly available. However, the findings indicate that reporting will increase due to amendments in Swedish Accounts Legislation (1995:1554), as both Kronans and Apotea claimed initiating reporting due to legal changes. The main incentive for sustainability reporting in Swedish pharmacies is legal requirements.

In the investigated context, law is therefore needed to organize sustainable business practice. However, the state-owned pharmacies did report prior to legal demands, due to internal demands of the state policy for state-owned companies. Therefore, legal demands are not the sole experienced incentive for sustainability reporting, yet stakeholder influence from e.g. customers was not experienced as crucial. Consequently, the findings also indicate that social norms in the form of stakeholder influence is not central for the practice of sustainability reporting, but rather for the individual commitments of sustainability actions. As the general stakeholder influence was not considered fundamental for reporting, a legal pluralism in organizing reporting practice was not clearly identified. Additionally, the lack of stakeholder influence contradicted previous literatures' findings on stakeholders as fundamental (e.g. Brønn & Vidaver-Cohan, 2009; Buhmann, 2006), though noted is that these studies did not investigate the pharmacy industry or the Swedish context. However, the lacking stakeholder power within the Swedish pharmacy industry correlates to findings of Blum-Kusterer and Hussain (2001), who also identified lacking stakeholder impact. Consequently, the findings of this thesis contribute to the understanding of sustainability being highly context bound and varying between industries and countries.

Apart from mentioned customers, external stakeholders identified are NGOs, society at large, patient groups, suppliers, health care staff, universities, state authorities, industry organizations, media and politicians as presented in Appendix 4, table 1. Internal stakeholders identified are the owners, boards and employees. In accordance to stakeholder theory, all pharmacies identify customers as fundamental to the business' general operation and survival. Also, fundamental for survival is profit. Satisfying the needs of customers is seen as value creating, which stakeholder theory sees as one way to ensure value maximization and long-term value (Jensen, 2002; Windsor, 2002).

Did the investigation show signs of the influence of various forms of law on sustainability reporting practice? I would argue no. Not considering the two originators of law made by the EU and Swedish state, stakeholder influence cannot

be identified as strong enough to influence reporting, as pharmacies stated experienced customer expectations on reporting, yet did not report. The exceptions were state-owned pharmacies, who reported due to a state policy for state-companies. Thus, there is no identified legal pluralism in the sense of various legal orders within in the field for sustainability reporting. Social norms have not pushed reporting forward prior to legislation, apart from the state policy. However, the investigation made a shift from voluntariness and stakeholder influence to legal requirements evident; Kronans Apotek especially pointed out that sustainability reporting had not been done in reference to lacking legal requirements where their parent company resides and Apotea and Kronans Apotek both reported new legal demands as reasons for initiating reporting.

## 7.1 Recommendations, limitations and further research

A weakness of this thesis is a limited data set. However, all data in form of recent reports and policies have been analyzed, though this data was also limited in numbers. The major problem impacting the data set, I would argue, was that it proved difficult to get respondents to participate. E-mail interviews proved to have the advantages presented in methodological literature, such as thought through answers and convenience for both respondent and researcher. However, e-mail interviews also required repeated invitations, experienced by me as nagging, and ultimately proved a challenging way to secure respondents. It would be less easy to ignore the invitation if it was presented via a telephone call or in person. It might also have been easier to explain the study and get respondents by calling, rather than writing a cover letter. Thus, when approaching the sample, it might have proved more successful applying a different method than I did.

Nevertheless, the findings indicate somewhat the same tendencies as previous literature. For instance, during the previous lack of legislation, few reported. As legal requirements are implemented, reporting will be initiated. Thus, the knowledge gained from this thesis, i.e. that the Swedish pharmacy industry react to legal demands similar to other industries, must be further explored, but may

contribute to an understanding of legal demands' ability to change organizational practice. The fact that the Swedish pharmacy industry does not report as high customer influence on sustainability reporting as other industries (e.g. Brønn and Vidaver-Cohen, 2009, and their findings of customer expectations to inevitably guide corporate behavior. Or the customer's fundamental influence on reporting, as found by Alblas et al., 2014), is also important to note. Why that may be is an interesting starting point for further research. To fully grasp the effects of law and how legal demands may drive change, it is crucial to further investigate changes in reporting due to the Amending Directive. To investigate if the Amending Directive's aim to provide transparent information has been met, and if reporting in general has increased, quantitative approaches in the form of content analysis or surveys could be applied.

Theory wise, the combination of legal pluralism and stakeholder theory provided a wide perspective to explain the incentives as experienced by the pharmacies. It showed the legal pluralism of the field of sustainability reporting amongst Swedish pharmacies to be weaker than suspected, based on the literature review's common findings of customer influence and social norms as fundamental for guiding CSR. Future research might gain from applying theories like globalization, systems theory or a discourse analysis, providing different perspectives than the theories applied here. Such theories might illuminate law in a global scale, how various legal systems relate to each other and how a legal framework is created. However, the theories used did provide important perspectives to investigate and illuminate the lack of legal pluralism expected based on stakeholders identified, which other theories might not have provided. The applied theories showed the Swedish pharmacies to be an industry tended to be less governed by social rather than legal norms, distinguishing it from findings of previous research that commonly concluded norms as fundamental (e.g. Ahern, 2016; Buhmann, 2006).

Furthermore, this study is limited to one actor's experience of incentives and to one industry and its findings merely illustrate sustainability incentives of this actor and industry. Hence, results may not be used to presume motivations experienced by

other actors, such as customers, or other industries. Likewise, findings are limited to Sweden, as incentives have been investigated in reference to Swedish companies and legislation. Results are therefore not representative of sustainability incentives across the EU. Additionally, the qualitative data is not representative and as generalizable as quantitative measures would be. Further research could focus on sustainability reporting as experience by other actors, or on quantitative investigation on motivational change across both various industries and the EU, to explore the full impacts of the Amending Directive. Moreover, as pharmacies mentioned an uncertainty on how to interpret and implement the legal requirements, it could also be of use to investigate how the amendments to Swedish law is practically to be implemented by organizations

## 7.2 Final remarks

The investigation has shown that though some industries and in some contexts, a pluralism of influence is evident, the Swedish pharmacy industry is not of legally plural character. In contrast to McBarnet's (2009: 62) statement: "Law is not just a tool of government, and governmental regulation is not the only way to try to control business through law.", governmental regulation proved to be the main way to control business practice in this context, apart from state policy for state-owned companies.

## 8. Acknowledgments

Firstly, I would like to thank the interviewees who took time to participate in my study. I would also like to thank my supervisor Ida Nafstad, for continuous support, encouragement and enlightening comments. My friends and family who have been helpful in discussing ideas and proof read – thank you. To my fellow student at our coming final seminar – thank you for investing time in reading and commenting on my work.

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# Appendix 1 – Sample frame

## Sample frame one

All pharmacy actors, apart from those not meeting the sample criteria.

<b>Admenta Sweden AB (Lloyds Apotek)</b>
<b>Akalla Apotek &amp; Hälsokost AB</b>
<b>Apotea AB</b>
<b>Apotek Hjärtat Retail AB</b>
<b>Apoteket AB</b>
<b>Apoteket Gode Herden AB</b>
<b>ApoteketBara AB</b>
<b>Apoteksgruppen AB</b>
<b>Apotekstjänst Sverige AB</b>
<b>Aspuddens Apotek AB</b>
<b>Björknäs Apotek AB</b>
<b>Din Apotekare Sverige AB</b>
<b>Emaus Apotek AB</b>
<b>Farmakeut AB</b>
<b>Kronans Droghandel Apotek AB</b>
<b>Palm Apotek AB</b>
<b>Rinkeby Apotek &amp; Hälsokost AB</b>
<b>Svensk Dos AB</b>
<b>Tanumsapoteket AB</b>

## Sample frame two

The remaining actors after removing those selected in sample one.

<b>Akalla Apotek &amp; Hälsokost AB</b>
<b>Apotea AB</b>
<b>Apoteket Gode Herden AB</b>
<b>ApoteketBara AB</b>
<b>Apotekstjänst Sverige AB</b>
<b>Aspuddens Apotek AB</b>
<b>Björknäs Apotek AB</b>
<b>Din Apotekare Sverige AB</b>
<b>Emaus Apotek AB</b>
<b>Farmakeut AB</b>
<b>Palm Apotek AB</b>
<b>Rinkeby Apotek &amp; Hälsokost AB</b>
<b>Svensk Dos AB</b>
<b>Tanumsapoteket AB</b>

## Appendix 2 – Cover letter

### Swedish – the original sent out

Drivkrafter till hållbarhetsrapportering inom apoteksbranschen –

Information och förfrågan om att delta i intervjustudie

Den första december 2016 började förändringar i lagar som exempelvis årsredovisningslagen att gälla, till följd av ett nytt EU direktiv om rapportering av icke-finansiell information. Direktivet är det första på EU-nivå som reglerar hållbarhetsrapportering, ett område som hittills huvudsakligen styrts av frivilliga initiativ och samarbeten.

Syftet med studien är därmed att undersöka olika drivkrafter till hållbarhetsrapportering. Valet föll på apoteksbranschen då den har en viktig samhällsfunktion och är ledande inom hållbarhetsarbetet enligt Sustainable Business Index 2016. Jag skriver till er, då ni är ett av tio företag som valts ut för att representera branschen.

Jag undrar därför om ert företag är intresserat av att delta i en intervjustudie kring drivkrafterna bakom hållbarhetsrapportering? Respondent är förslagsvis någon inom företagets hållbarhetsavdelning eller annan med insikt i eventuell hållbarhetsrapportering/-arbete. Intervjuerna kommer att hållas online via mail, för att ni vid tillfälle som passar er ska kunna besvara frågorna. Intervjun består av två huvudsakliga delar, rörande teman hållbarhet och drivkrafter. Totalt har intervjun 8 huvudfrågor, exklusive eventuella följdfrågor. En del av intervjun kommer att skickas åt gången, för att möjliggöra en dialog. När svaret på del ett skickats till mig, kommer nästföljande del att skickas. Intervjuerna planeras börja vecka 7 och avslutas senast vecka 14. Viss möjlighet till förlängning för intervjusvar finnes.

Följderna av studien beräknas inte bli negativa för deltagare. Syftet är inte att belysa eller ifrågasätta vad som görs på området, utan på vilka grunder man gör det. Uppsatsen kommer således inte innehålla negativ eller känslig information om företagets arbete. Konfidentialitet utlovas genom att intervjumaterial kommer försvaras så att obehöriga inte kan ta del av informationen. Företag och representant kommer dock inte vara anonyma i själva slutrapporten. Rapporten kan komma att läsas och användas av intressenter för hållbarhet, studenter och andra branscher. Resultaten kan förhoppningsvis även bidra till ökad kunskap och förståelse för exempelvis konsumenternas påverkansmöjligheter.

Av etiska skäl samlas skriftligt medgivande till deltagande in, i form av ett mail där ni vid intresse bekräftar att ni vill delta i studien och att ni gör så frivilligt. Deltagande är helt frivilligt och kan nekas. Ni kan när som helst under studiens gång välja att avsluta ert deltagande utan frågor eller konsekvenser. Redan insamlad data kan dock komma att användas i studien.

Mitt namn är Ulrika Möllerström och jag studerar på mastersprogrammet Sociology of European Law (SELA) vid Lunds Universitet. I utbildningen ingår att skriva en masteruppsats, vilket är anledningen till genomförandet av denna intervjustudie. Om intresse att delta finns, vänligen skicka ett mail, där ni bekräftar att deltagandet görs frivilligt och att ni har förstått på vilka premisser. Har ni några frågor innan ni bestämmer er, är ni välkomna att kontakta mig eller min handledare.

Student

Ulrika Möllerström

ulrika.mollerstrom@hotmail.com

2017-02-06, Ängelholm

Handledare

Ida Nafstad, Ph.D.

Sociology of Law Department, Lund University

046 222 88 38

## English version – for readers

Driving forces for sustainability reporting within the pharmacy industry – information and letter of enquiry to partake in interview study

On December 1st 2016, alterations to laws such as the Swedish Accounts Legislation were introduced as a response to the new EU directive on non-financial disclosure. The directive 2014/95/ EU is the first on EU-level to regulate sustainability reporting, an area thus far considered voluntary and organized by non-governmental initiatives.

The purpose of this study is therefore to investigate various driving forces for sustainability reporting. The pharmacy industry was chosen based on its important societal function, and since it is leading the sustainability work according to the Sustainable Business Index 2016. I am writing you, as you are one of ten companies chosen to represent the industry.

Thus, I am wondering if you would be interested in participating in an interview study regarding the driving forces for sustainability reporting? A suitable respondent is for example a person with insights in the company's potential sustainability report and/or work. The interviews will be held online via e-mail, in order to let you answer when best fitting to your convenience. The interview has two main parts, regarding themes of sustainability and driving forces. In total, there are eight questions, not including potential follow-up questions. The interview will be sent in parts. Not until the reply to the first section has been received by me, the second section will be sent. Preferably, the interviews will be conducted between week 7 and 14. Some additional time to respond is possible.

The effects of the study are not deemed to have negative consequences to any participant. The aim is not to question or illuminate what is done in the area of sustainability, but rather explore on what grounds such potential work is made. Therefore, the thesis will not contain negative or sensitive information about the company and its practice. As unauthorized people will not have access to the materials collected via interviews, confidentiality is secured. However, companies

and respondents will not be anonymous in the final report. The report may be read and used by those invested in sustainability, fellow students or other industries. The results may contribute to increased knowledge and understanding of consumer impact.

For ethical reasons, a written consent is collected prior to interviews. This is done by sending an e-mail in which you, if interested, confirm your participation in the study and that it is a voluntary decision. Participation is voluntary and can be denied. At any given time, you may choose to leave the study, without any questions or consequences. Data that have already been collected may be used in the study, nonetheless.

My name is Ulrika Möllerström, and I am studying the master Sociology of European Law at Lund University. In the program a master thesis is required, which is the reason for the execution of this interview study. If you are in fact interested to participate, please send me an e-mail stating your voluntary participation and the understanding of the information given prior to consent. If you have any questions before deciding, do not hesitate to contact either me, or my supervisor.

Student

Ulrika Möllerström

ulrika.mollerstrom@hotmail.com

2017-02-06, Ängelholm

Supervisor

Ida Nafstad, Ph.D.

Sociology of Law Department, Lund University

046 222 88 38

# Appendix 3 – Interview guide

## Swedish version – the original sent out

### Intervju Drivkrafter till Hållbarhetsrapportering

#### Bakgrundsinformation

Namn:

Företag och position:

#### Teman

#### Del 1 - Hållbarhet

1. Hur definierar ni hållbarhet?
2. Rapporterar ni om hållbarhetsarbete? Om ja:
  - Hur länge har ni arbetat med hållbarhetsrapportering?
  - Hur utformas er hållbarhetsrapportering?
  - Vilka riktlinjer (lagstadgade och frivilliga) för rapportering följer ni?
  - Vilket är ert huvudsakliga fokus inom hållbarhet?
  - Varför har ni valt att fokusera på det ovan nämnda?
3. Om hållbarhetsrapportering inte görs, av vilken/vilka anledningar?

#### Del 2 - Drivkrafter

4. Vilka identifierar ni som era intressentgrupper (stakeholders)? Ex. kunder, ägare, anställda, samhället.
  - Om, och i så fall hur, rangordnar ni dem vid beslutsfattande?
  - Upplever ni förväntningar från kunder på hållbarhetsrapportering?
  - Upplever ni förväntningar från statliga myndigheter?
  - Förväntningar från andra?
5. Regleras ert arbete för rapportering om hållbarhet?
  - Om ja, i vilka lagrum?

- Påverkas ni av förändringarna i årsredovisningslagen (1995:1554) gällande hållbarhetsredovisning?
- 6. Har ni anslutit er till frivilliga hållbarhetsinitiativ, exempelvis GRI?
  - Om ja, vilka och varför?
  - Om nej, varför?
- 7. Varför väljer ni att rapportera hållbarhet?
  - Vilka drivkrafter för hållbarhetsrapportering är viktigast för er?
- 8. Hur ser ni på att hållbarhetsrapportering lagstadgas för vissa företag på EU-nivå?

## English version – for readers

### Interview Driving Forces for Sustainability Reporting

#### Background information

Name:

Company and title:

#### Themes

##### Part 1 - *Sustainability*

1. How do you define sustainability?
2. Do you report on sustainability work? If yes:
  - For how long have you reported on sustainability work
  - How is your sustainability report constructed?
  - Which guidelines (legislative and voluntary) do you abide by?
  - Which is your main focus in sustainability?
  - Why have you chosen the focus mentioned above?
3. If you do not report on sustainability, for what reasons?

##### Part 2 – *Driving forces*

4. Who do you identify as your stakeholders? I.e. customers, owners, employees, society.
  - If, and if so how, do you rank them in decision making?

- Do you experience expectations from customers on sustainability reporting?
  - Do you experience expectations from governmental agencies?
  - Do you experience expectations from other identified stakeholders?
5. Is your sustainability reporting regulated?
    - If yes, in which laws?
    - Are you affected by the alterations in the Swedish Accountings Law (1995:1554), in regards to sustainability reporting?
  6. Are you part of any voluntary reporting initiatives?
    - If yes, which and why?
    - If no, why?
  7. Which are the most important driving forces for sustainability reporting, according to you?
  8. What are your thoughts on the EU directive regulating sustainability reporting for certain companies?

## Appendix 4 – Result tables

**Table 1** Presents various stakeholders. “-“ means no prioritization was mentioned/identified in the data.

<b>Pharmacy</b>	<b>Internal stakeholders</b>	<b>External stakeholders</b>	<b>No. stakeholder</b>
<b>Apotea</b>	Board and owners (Apotea Interview, 2017).	Customers, patient groups and associations, society, NGOs like WWF (Apotea Interview, 2017).	Customers (Apotea Interview, 2017).
<b>Apoteksgruppen</b>	Member-pharmacy owners, organizational owner (Swedish Gov.), employees, (Apoteksgruppen Interview, 2017) and board (Apoteksgruppen, 2015, p. 14).	Customers, suppliers, health care staff, authorities, universities, industry organizations (Apoteksgruppen Interview, 2017)	Self-employed pharmacy owners (Apoteksgruppen Interview, 2017).
<b>Apoteket</b>	Employees, suppliers, and owners (Apoteket, 2015b). 13 87	Customers, society, patients, media, NGOs, authorities, politicians (Apoteket, 2015b).	-
<b>Apotek Hjärtat</b>	Employees (Apotek Hjärtat, 2017a).	Customers, suppliers, society (Apotek Hjärtat, 2017a).	-
<b>Kronans Apotek</b>	Employees (Kronans Apotek Interview, 2017).	Customers (consumers and Counties) (Kronans Apotek Interview, 2017).	Customers (Kronans Apotek Interview, 2017).

**Table 2** Presents various norms influencing sustainability reporting. “-” means the theme was not mentioned in the data.

<b>Pharmacy</b>	<b>Legal norms</b>	<b>Social norms</b>
<b>Apotea</b>	Swedish Accounts Legislation (1995:1554) (Apotea Interview, 2017). “... follows existing environmental laws and regulation and continuously work to exceed them.” (Apotea, 2017a).	Environmental certifications of goods (Apotea, 2017a), customer demands on certification and responsibility, external policy demands (WWF) (Apotea Interview, 2017).
<b>Apoteksgruppen</b>	Swedish Accounts Legislation (1995:1554) (Apoteksgruppen Interview, 2017).	Global Compact and GRI (Apoteksgruppen Interview, 2017). Environmental certifications of goods and sustainability policy (Apoteksgruppen, 2015: 31).
<b>Apoteket</b>	Pharmacy and environmental laws and regulations are followed, continuous adaption to changes in regulation (Apoteket, 2015a; Apoteket, 2015b; 86).	Trustworthiness and honesty (Apoteket, 2015b: 16, 21). Sustainability policy (Apoteket, 2015a).
<b>Apotek Hjärtat</b>	-	Code of conduct (Apotek Hjärtat, 2017c).
<b>Kronans Apotek</b>	“We will adhere to the new non-disclosure regulation within the EU.” (Kronans Apotek Interview, 2017). Swedish Accounts Legislation (1995:1554) and the Amending Directive (ibid.).	Code of conduct and customer demands on responsibility (Kronans Apotek Interview, 2017; Kronans Apotek, 2017a).

**Table 3** Presents various incentives for sustainability reporting. “-” means the theme was not mentioned/identified in the data.

<b>Pharmacy</b>	<b>Internal incentives</b>	<b>External incentives</b>
<b>Apotea</b>	Self-improvement and profit (Apotea Interview, 2017).	Customer and legal expectations (Apotea Interview, 2017).
<b>Apoteksgruppen</b>	Owners demands (Apoteksgruppen Interview, 2017).	Legal expectations (Apoteksgruppen Interview, 2017).
<b>Apoteket</b>	Profit and owner expectations (Apoteket, 2015b: 14, 16).	Societal, individual and environmental health and governmental initiatives (Apoteket, 2015b: 13, 14, 16).
<b>Apotek Hjärtat</b>	-	Health of people and society (Apotek Hjärtat, 2017a).
<b>Kronans Apotek</b>	-	“There is a strong expectancy from customers and other stakeholders...” (Kronans Apotek Interview, 2017).