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Balancing Sustainability and Profitability: Telecom Industry Responses to the European Green Deal

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Abstract

Background:

The European Green Deal (EGD), Implemented 2019 is putting increasing pressure on major telecom companies like Telia and Ericsson, who run energy-intensive networks, to work sustainable and towards the EGD directives and goals while maintaining profitability.

Purpose:

This research explores how these companies balance sustainability and profitability under the EGD's regulatory, and stakeholder demands. This research implements two research questions to answer this:

To what extent do businesses balance sustainability goals and profitability when implementing the European Green Deal?

How do telecom businesses adopt sustainable practices under the European Green Deal without compromising financial viability?

Method:

Legitimacy Theory and Institutional Logics served as the theoretical foundation for the qualitative multiple-case approach that was used. Additionally, Financial declarations, annual and sustainability reports also supported the claims made about Telia and Ericsson. Lastly, six semi-structured interviews with Telia and Ericsson professionals that work with sustainability or finance or both, were the sources of the primary data.

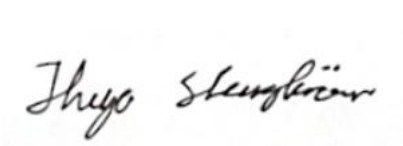
Conclusion:

Results showed that while sustainability initiatives have short-term costs associated with compliance, network upgrades, and expected carbon price, they also have long-term benefits, such as increased energy efficiency and stakeholder trust. By incorporating ESG goals into financial projections, issuing green bonds, and tying managers' incentives to decarbonization benchmarks, Telia and Ericsson lessen this conflict. The findings can serve as a reference for other regulated companies dealing with comparable sustainability requirements and show how institutional pressures propel strategic adaptation.

Acknowledgment

We would like to express our sincere gratitude to our supervisor, Duncan Levinsohn, for his valuable guidance and feedback throughout the thesis process.

We also wish to thank Jönköping International Business School for providing the necessary resources and academic environment that made this research possible. Their support has been instrumental in helping us complete this study and develop our understanding of sustainability in the telecom industry.



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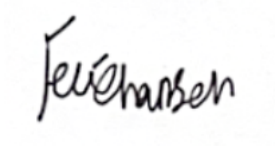

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Appendix 8: AI Declaration

We hereby declare that the written thesis represents our own work.

In accordance with the guidelines provided by JIBS regarding ethical conduct and transparency in thesis writing, we wish to declare the use of digital tools and AI during the development of this thesis. Throughout the writing process, we made use of Grammarly to support academic language editing, including grammar, spelling, and sentence structure improvements.

- **Google Scholar**: used to search for relevant academic literature and support the development of evidence-based arguments.
- **ChatGPT 4o**: helped refine sentence structure, improve flow, and formulate clear, cohesive arguments.
- **Scribbr**: supported proper referencing and citation formatting in line with APA 7 guidelines.

- **Grammarly**: was used for spelling and grammar.

At no point was the content generated solely by AI, and all ideas, interpretations, and conclusions remain entirely our own. The AI tools were employed purely in an assistive capacity, similar to commonly used grammar or writing tools, and never replaced our own analytical or academic work.

We have maintained full control and responsibility for the content of this thesis, and the inclusion of AI assistance has not compromised the originality or academic integrity of the work.

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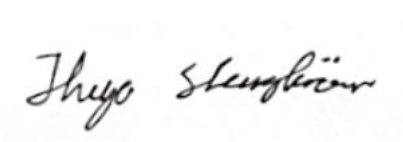

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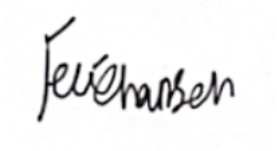

Felix Hansen

1. Introduction (Background & Topic)

On December 11, 2019, European Commission President Ursula von der Leyen unveiled the European Green Deal (EGD), the EU's all-encompassing plan to become climate neutral by 2050 (Fetting, 2020). By lowering greenhouse gas emissions, encouraging sustainable enterprises, and guaranteeing a fair transition that strikes a balance between environmental stewardship and economic expansion, it seeks to revolutionize the European economy. The EGD lays out important measures to achieve these objectives, such as boosting building energy efficiency, accelerating the transition to renewable energy, encouraging a circular economy, and assisting sustainable agriculture through the Farm to Fork Strategy. Important elements of the strategy also include preserving biodiversity and incorporating green financing into economic decision-making (Fetting, 2020).

Businesses that engage with the EGD can gain better market positioning, access to green funding, and more customer trust as sustainability emerges as a crucial factor in consumer decisions (PWC, 2024). Furthermore, sectors that do not adjust run the risk of regulatory fines, harm to their brand, and the loss of market share as the EU tightens its regulations on carbon emissions and environmental impact. Sustainability is both a legal and economic necessity in today's shifting business landscape (PWC, 2024). Businesses may boost resilience against upcoming environmental and economic issues, spur innovation, and cut costs through energy efficiency by incorporating sustainability into their strategies (PWC, 2024).

This research examines how the European Green Deal (EGD) connects sustainability and profitability in the telecom industry, a sector that is significantly impacted due to its high energy consumption and data infrastructure demands. To ground the analysis, this research will specifically focus on the companies Telia and Ericsson. The two firms are major telecom companies operating in Europe with strong sustainability commitments and publicly available data, making them ideal cases for studying how large firms balance environmental regulations with financial performance. Adopting sustainable strategies has become both a challenge and an opportunity as companies manage changing environmental regulations and market expectations. This research will analyze the financial effects of incorporating sustainability into telecom firms' operations while looking at how they are reacting to the EGD. To provide insight on the wider effects of sustainability-driven business strategies in the sector, this research will evaluate

legislative frameworks, industry adjustments, and financial results. This research will also use two major theoretical frameworks to answer the research questions. These theories will later be explained and are Legitimacy theory and Institutional Logics.

Our choice of industry was made for its relevance to sustainability and digital infrastructure under the EGD. The choice of Telia was based on the fact that it is the first and biggest Swedish mobile operator (Induo, n.d.). Ericsson was chosen because it is a global leader in the quickly evolving communications technology offering services, software, and hardware to maximize the benefits of connectivity (Ericsson, n.d.). Additionally, Telia is a company that is committed to sustainability and wants to reach net zero in carbon emissions already in 2040 and cut the carbon emission from their own operation by 90% in 5 years (Telia Company, 2025). They are also committed to cutting their carbon emissions by 50% within the whole value chain (Telia Company, 2025).

1.1 Problematization

For telecom firms like Ericsson and Telia, the European Green Deal (EGD) poses a serious regulatory obstacle. Adopting sustainable business practices is becoming more and more important. However, it comes with significant operational and financial costs, especially for global supply chains and energy-intensive industries (European Environment Agency [EEA], 2024). To reach EGD targets, Telia and Ericsson need to make significant investments in renewable energy and efficient infrastructure. Adjusting to the demands of sustainable sourcing and logistics also necessitates expensive changes to long-standing procurement and distribution practices (EEA, 2024). Despite the widespread recognition of the importance of climate action, there are still significant financial challenges to implementing sustainable operations (EEA, 2024).

Hawking (2006) points out that even in cases when there is a desire to take action, the expense of shifting can impede advancement. Compliance is further challenged by unstable carbon pricing and ESG demands. A key challenge with complying with EGD lies in the major capital costs required during initial implementation. According to Ericsson, (2022) Integrating low-emission technologies into their operations while restructuring their supply chains as well as transitioning to renewable energy requires significant financial resources from tech firms

For example, recent reports indicate that the energy expenses of telecom operators represent approximately 5% of their overall operating expenditures, and can be as high as 15% for those

focused on mobile services. Implementing carbon pricing mechanisms could further elevate these costs, potentially impacting profitability (Oliver Wyman, 2021).

The deployment of 5G networks also entails substantial financial commitments. 5G deployment alone can cost up to $8 billion per country, requiring major investment to support sustainable tech transitions. Implementing sustainable practices, such as integrating renewable energy sources, can lead to significant operational cost savings over time. For instance, Ericsson's Energy-Smart 5G Site in Texas demonstrated a 36% reduction in electricity expenses and associated greenhouse gas emissions through hybrid operation utilizing on-site solar and energy storage systems. (Ericsson, 2022)

Companies that implement sustainable digital technologies and telecom networks as early adopters will position themselves effectively to add market value through environmentally friendly offerings. Firms can obtain programs for initial cost reduction through green financing options and government incentives (Du, Pan, & Zuo, 2013). However, the key issue is whether these long-term benefits can sufficiently compensate for the immediate financial pressures, capital risks, and potential declining profit margins companies face under the EGD's strict sustainability mandates (Porter & Derry, 2012).

The financial difficulties for telecom companies is the high initial expense needed for infrastructure modernization. When industries move to renewable energy they must acquire new technologies together with replacing their existing systems in an extensive process which demands significant initial financial investment before demonstrating return on investment. Ericsson and Telia, along with other telecom companies, run energy-consuming data centers and network infrastructure. Extensive initial capital expenses for implementing 5G networks and AI-optimized systems will precede the period when energy savings will balance the overall expenses. Both Ericsson and Telia primarily purchase renewable energy through long-term contracts or guarantees of origin rather than producing it themselves. Telia has used 100% renewable electricity across its operations since 2020 by sourcing certified green electricity through Power Purchase Agreements (Telia Company, 2022). Ericsson has also increased its use of renewable energy significantly, with 67% of its electricity sourced from renewables as of 2021, and a clear target to reach 100% (Ericsson, 2022). Even when companies purchase renewable electricity, they must still invest heavily in upgrading internal systems, such as retrofitting infrastructure and adopting energy-efficient technologies to meet reporting requirements.

The implementation of carbon pricing systems creates direct effects on the operational expense structure of telecom companies. The systems compel businesses to pay their emission costs which generates growing expenses because environmental regulations lower their emission thresholds each year. Carbon taxes, a common form of carbon pricing, assign a monetary cost to each ton of CO_2 emitted, effectively making emissions a financial liability for companies. This means that as emission thresholds tighten, businesses face increasing direct costs tied to their environmental impact. Elevated carbon tax on data center and mobile network power consumption causes increased operational expenses that diminish profit margins particularly in markets driven by price competition.

Reporting obligations under the CSRD significantly raise costs for firms like Telia and Ericsson, which must manage complex cross-border compliance systems and resource-intensive data collection processes.

The strategic advantages of sustainability initiatives show up in the long run yet their benefits emerge after organizations invest substantial resources over multiple years. Telecom firms must currently solve their problem of managing expensive short-term sustainability compliance and investment needs with their unclear future benefits while maintaining market competitiveness despite rapid technological advancement requirements and consumer demands.

1.2 Research gap

While businesses are increasingly expected to balance sustainability with profitability, there remains a limited understanding of how this balance can be practically achieved within the telecommunications industry. Existing academic literature tends to focus on either environmental sustainability or financial performance in isolation, with few studies exploring the intersection between the two in a sector known for high energy consumption and growing regulatory pressure.

This gap is particularly relevant considering the European Green Deal (EGD), which imposes ambitious environmental targets on companies. In the telecom sector, firms face the challenge of aligning operations with sustainability goals while maintaining profitability and competitiveness. Although research exists on how telecom companies reduce emissions or improve financial performance, little attention is given to how these objectives can be pursued simultaneously, especially under regulatory frameworks like the EGD.

Furthermore, the practical mechanisms such as strategy adaptation, investment decisions, and innovation that could enable telecom companies to reconcile sustainability goals with financial constraints remain underexplored. While some argue that sustainability fosters long-term profitability through innovation and efficiency (Timmons & Thönen, 2025), empirical studies examining this dynamic in the context of telecom firms under EU climate policies are scarce.

1.3 Purpose

The purpose of this thesis is to investigate how major telecom operators transform their strategies to balance profitability and sustainability under European Green Deal regulatory pressures (EGD). To comprehend those transformations, Legitimacy Theory and Institutional Logics guide this research because they reveal how firms align with the demands of outsiders while resolving tensions within themselves between commercial and sustainable objectives. Through an investigation of Telia and Ericsson, two of the top telecom operators with strongly established ESG profiles, the research examines how firms respond to institutional pressures through change on a strategic, financial, and organizational level.

1.4 Research questions

In order to explore how sustainability and profitability can coexist under the European Green Deal, this research is guided by the following research questions:

To what extent do businesses balance sustainability goals and profitability when implementing the European Green Deal?

How do telecom businesses adopt sustainable practices under the European Green Deal without compromising financial viability?

1.5 Key definitions

Before moving on to the next parts of this research, here below the reader can find a table with key definitions which will help the reader understand certain words or concepts that will be brought up in the following sections.

Key Definitions

Term	Definition	Source
ESG	A set of non-financial performance indicators that assess a company's ethical impact and sustainability practices.	Kotsantonis & Serafeim, 2019
Sustainability in business	Conducting business without negatively impacting the environment, community, or society while maintaining economic viability.	Elkington, 1997; Dyllick & Hockerts, 2002
Financial Performance	Commonly assessed using metrics such as ROE, ROA, EBIT, and net profit margins.	Pham et al., 2021
Corporate Sustainability	Meeting the needs of a firm's stakeholders without compromising future stakeholder needs.	Dyllick & Hockerts, 2002
Green Financing	Financial instruments funding projects with environmental benefits, such as green bonds and sustainability-linked loans.	OECD, 2020
European Green Deal	The EU's roadmap for a sustainable economy, turning climate challenges into opportunities and ensuring a just, inclusive transition.	European Commission, 2019
Scope 1, 2 and 3 Emissions	Scope 1: Direct emissions from owned sources. Scope 2: Indirect emissions from purchased electricity. Scope 3: All other indirect emissions in the value chain.	GHG Protocol, 2015
Green Bond	Debt instruments that finance environmentally beneficial projects, guided by principles for transparency and accountability.	International Capital Market Association, n.d.
Carbon Pricing	Puts a cost on greenhouse gas emissions to incentivize emission reduction and support cleaner practices.	World Bank, n.d.
Circular Economy	Extends product life cycles through reuse, repair, and recycling.	European Parliament, 2015
Greenium	A small financial advantage where investors accept lower returns for investing in environmentally friendly projects.	UNDP, 2023

Table 1: Key definitions

2.0 Literature Review & Theoretical Framework

This chapter outlines the academic and industry literature that frames the study. It introduces the search strategy and key concepts related to sustainability in the telecom sector, followed by the two central theories Legitimacy Theory and Institutional Logics. These frameworks help explain how companies like Telia and Ericsson respond to sustainability demands under the European Green Deal.

2.0.1 Search Strategy

The literature search was conducted using Google Scholar with the following keywords.

The term **"European Green Deal AND telecom sector"** was selected because it directly aligns with the research question regarding the impact of EU climate policy on telecom firms. More

general terms like “EU sustainability policies” were avoided, as they returned results not specific to the telecom sector.

The search for “**Sustainability AND telecom industry”** aimed to capture broader trends, strategies, and challenges faced by telecom companies in relation to sustainability. Terms like "environmental responsibility" were excluded because they lacked a clear strategic focus.

The phrase **"Corporate sustainability AND telecom industry"** mostly returned CSR-related results, so only a few were used.

The search term **"Green energy AND 5G infrastructure"** was included to examine sustainability within telecom infrastructure, specifically regarding 5G. This search helped identify how EU climate policies align with energy-efficient technologies and infrastructure upgrades.

A table below summarizes the results of these searches, showing that "Sustainability AND telecom industry" produced the most results (187,000). After filtering, only the most relevant articles were retained, demonstrating the importance of screening broad searches to focus on sources most relevant to the research topic.

Search Term	Databases Used	No of results	screened	relevant	included nr of sources
European Green Deal AND telecom sector	google scholar	14 000	50	25	11
Sustainability AND telecom industry	google scholar	187 000	40	15	10
Corporate sustainability AND telecom	google scholar	87 500	25	10	5
Green energy AND 5G infrastructure	google scholar	92 500	30	15	7

Table 2: Search Term

Inclusion and Exclusion Criteria

For inclusion, sources were required to be published after the European Green Deal was proposed and to specifically address the telecom sector. Non-English publications, opinion pieces, and sources lacking empirical support were excluded.

2.1 Telecom Industries

Due to the European Green Deal (EGD) legislation and related financial responsibilities, the telecom industry needs special attention in the context of sustainable growth. Companies like Ericsson, Telia, and others need to follow EU climate policies regarding emissions, renewable energy, and circularity (Ericsson, n.d.).

The excessive energy usage of telecom and digital infrastructure businesses is a significant concern. While lowering emissions is still expensive and technically challenging, powering data centers, mobile networks, and cloud services requires a large amount of electricity. Even though the EGD encourages the use of clean energy, switching from conventional to renewable power sources necessitates a significant financial outlay (López-Barajas, 2023). Furthermore, carbon pricing schemes and sustainability reporting requirements result in higher operating expenses for telecom firms (Travasoni, Vucevic, Kourousias, & Liner, 2025).

Businesses are using green digital services, such as low-energy network solutions and sustainable cloud computing, to address these issues. These technologies, which include smart grid systems, 5G, and AI tools, aid in lowering carbon emissions and electricity consumption. Businesses like Ericsson and Telia can satisfy EGD environmental regulations and attract eco-aware clients by incorporating these advances. Additionally, green activities facilitate the availability of financial advantages including carbon credit incentives, government support programs, and green funding (Telia Company, 2025).

2.2 Theoretical frameworks

This research investigates how telecom businesses react to sustainability demands under the European Green Deal, by utilizing Legitimacy Theory and Institutional Logics. Legitimacy theory clarifies how companies like Telia and Ericsson use moral and ecologically conscious practices to win over society. Institutional logics provides a framework for comprehending how businesses handle competing demands, such as market expectations for profitability and regulatory sustainability standards. Combining these viewpoints, the study investigates how internal dynamics and external forces affect strategic decision-making regarding ESG.

2.2.1 Legitimacy Theory

Legitimacy Theory states that in order for an organization to be accepted by society, it must adhere to both legal obligations as well as societal standards and expectations. At its core, Legitimacy Theory is based on the idea that organizations operate within a "social contract" they must behave in ways that are consistent with the norms, values, and expectations of the wider community to secure ongoing approval and access to resources. The theory has three key components: pragmatic legitimacy (gained by delivering practical benefits to stakeholders), moral legitimacy (achieved by acting ethically and responsibly), and cognitive legitimacy (rooted in being perceived as a necessary, trustworthy entity within society). Governments, investors, consumers, and stakeholders are pressuring firms to adopt sustainable operations due to growing demand for environmental responsibility (Faisal et al., 2022). According to Suchman (1995), legitimacy is not only passively received but actively managed by firms through strategic behaviors such as symbolic actions, reporting, or mimicking others in the field. He distinguishes between pragmatic legitimacy (based on self-interest), moral legitimacy (based on normative evaluation), and cognitive legitimacy (based on taken-for-grantedness). These categories help explain why companies respond to stakeholder expectations not just through performance but also through visible signals of compliance and alignment.

Bitektine and Haack (2015) extend this by showing how legitimacy is constructed through both individual evaluations and collective meaning-making. In fields with high uncertainty, such as ESG, companies often rely on field-level cues, including the actions of competitors, to evaluate what is considered legitimate behavior.

Businesses need to sustain their legitimacy to reach long-term success since non sustainable alignment can result in decreased investor confidence together with regulatory sanctions and harm to their brand reputation (IRIS Business, n.d.).

According to Legitimacy Theory, organizations pursue sustainability initiatives that go beyond regulatory standards since they need market leadership and risk mitigation as well as financial and social capital accessibility. This approach reflects how firms proactively adopt measures not only to meet minimum compliance but also to exceed societal expectations. The main practical application of this concept enables organizations to analyze the use of green certifications together with ESG reporting and CSR initiatives for increasing their legitimacy status. Through these activities companies obtain strategic benefits by establishing stronger stakeholder trust and attracting ethical investors and obtaining government incentives (Rezaee, 2017).

Sustainability also serves as a competitive tool to manage risks and improve market position. In this research, Legitimacy Theory will be applied to analyze how companies use sustainability reports, ESG disclosures, and investor reactions to strengthen their legitimacy and gain strategic advantages (Argandoña, 2021).

The theory reveals how businesses with financial limitations include environmental responsibility as part of their business strategies while simultaneously advancing their long-term profits and market standing as well as strengthening stakeholder connections. While other theoretical lenses such as stakeholder theory or the resource-based view offer appropriate insight into corporate sustainability, they are less, for analyzing institutional and regulatory responses. Legitimacy Theory is better suited to examining how companies align their actions with external expectations such as those found in the European Green Deal, while Institutional Logics enables the exploration of internal tensions between profit-maximizing logics and sustainability commitments (Besharov & Smith, 2014).

2.2.2 Institutional Logics

Institutional Logics theory, developed by Thornton and Ocasio (2008), provides a framework for explaining how different, sometimes contradictory, sets of beliefs shape organizational decisions. Firms operate within a multilevel institutional logics context that guides their strategies, structures, and priorities. Companies must balance profit-driven market logic with environmental responsibility imposed by regulations like the European Green Deal (EGD).

The EGD exhibits a strong regulatory logic that pushes companies to embark on difficult sustainability efforts such as carbon neutrality, circular economies, and switching to clean energy. Yet firms face strong market pressures for cost-efficiency and profitability. Although sustainability may yield long-term value, it often demands costly short-term investments (Olsson et al., 2023). Institutional Logics is particularly valuable in describing how firms manage these conflicting pressures. One significant input to this literature is provided by Pache and Santos (2010, 2013), who discuss how companies confronted with multiple, conflicting logics try to respond. Pache and Santos also outline some strategic responses like compliance, resistance, compartmentalization, and hybridization that companies can follow to reconcile different institutional actors' demands. This is also applicable to the ESG scenario where companies have to combine commercial logic with sustainability requirements.

Some firms integrate sustainability deeply into their business models, seeing it as a strategic lever to foster enhanced long-term profitability and access financial incentives such as green subsidies. Others have a minimum compliance approach, introducing sustainability interventions just to meet regulatory needs with attention to short-term bottom-line performance. Different industries face unique ESG pressures: energy and transport require heavy investment in infrastructure, while retail must meet green demand without raising prices (Hiller, 2018).

A useful foundation for comprehending how companies like Ericsson and Telia modify their organizational structures, financial management, and decision-making processes in response to sustainability demands like the European Green Deal is provided by institutional logics. Decisions are shaped by cultural systems like market, state, or sustainability logic, not just rational profit goals (Teixeira, Roglio & Marcon 2017). It specifies what is proper, appropriate and strategic in a particular situation. In actuality this means that Telia's incorporation of ESG indicators into financial reporting and Ericssons investment in energy efficient network infrastructure are not just compliance exercises rather, they represent changes in the prevailing institutional logics influencing their respective industries (Teixeira et al., 2017). By integrating sustainability with corporate strategy for example, through green innovation, cost savings through energy efficiency or long-term brand differentiation these companies try to hybridize logics without sacrificing profitability goals. Institutional logics also draw attention to internal tensions, as sustainability efforts may clash with immediate budgetary demands, necessitating negotiations between leadership groups or departments with conflicting agendas. These interactions provide insights into how legitimacy and profitability are co constructed within changing institutional frameworks, demonstrating how organizations integrate sustainability without sacrificing financial viability (Teixeira et al., 2017).

2.4 Overview of the European Green Deal and Corporate Sustainability

One important set of policies aimed at achieving carbon neutrality for the EU by 2050 is the European Green Deal (EGD). Businesses face both opportunities and challenges as it affects corporate sustainability policies in a variety of industries. The EGD forces businesses to embrace more sustainable business models by enacting stronger environmental rules. This frequently entails adjustments to supply chain management, reporting standards and production procedures (Kowalska et al, 2022).

Regulatory compliance is one of the main ways that the EGD influences corporate sustainability. New sustainability regulations, such as carbon reduction goals and stricter environmental reporting standards, must be incorporated into business operations. EGD-driven rules expand ESG reporting and require green tech investments. Since companies are required to submit reliable data on their environmental impact, the EGD places a strong emphasis on the need for increased corporate accountability.

Additionally, the EGD poses difficulties for businesses despite its lofty objectives, especially regarding administrative costs and economic competitiveness. As Kowalska points out, sustainability transitions can have significant financial ramifications necessitating that businesses set aside funds for green investments, staff development, and innovative technology. Large companies might be able to afford to adapt however smaller businesses frequently find it difficult to satisfy these demands, which could hurt their ability to compete in the market (Kowalska et al, 2022)

Recognizing these issues, the European Commission has made an effort to strike a balance between economic viability and environmental goals. To lower administrative barriers and enable more seamless transitions for companies, several policy changes have been introduced. Nonetheless, there are ongoing discussions about whether these changes lessen the impact of the EGD´s sustainability goals. Although regulatory flexibility may promote economic resilience Kowalska et al. (2022) point out that there is a chance it could impede the achievement of the Green Deals climatic goals.

2.4.1 Industry Responses

Telecom firms Telia and Ericsson integrate ESG to comply with EGD and achieve operational efficiency Both firms had ESG strategies before the EGD. Telia and Ericsson among other large firms use sustainability in their operations to simultaneously follow European Green Deal regulations while achieving efficiency gains and enduring value growth.

Kumar and Goyal (2023) conducted a study of leading telecom companies which showed that higher ESG engagement leads to better brand trust as well as lower compliance risks and improved financial performance. These findings explain Telia’s green bonds and Ericsson’s renewable

energy strategy. ESG strategies, they argue, serve as “soft risk management tools” that increase organizational adaptability in fast-changing policy environments like the European Union.

The role of stakeholders in B2B telecom environments is becoming more pronounced. Pereira et al. (2022) highlights that sustainability transitions in B2B-focused firms are heavily influenced by external actors, especially customers and investors. Their study found that telecoms with large enterprise clients increasingly face pressure to demonstrate quantifiable environmental impact, as sustainability becomes a key factor in procurement decisions. This is particularly relevant for Telia, whose B2B customers require emission-reduction data tied to digital services and IoT applications, and for Ericsson, which positions itself as an enabler of downstream carbon savings through its network technologies.

Both firms also appear to follow a pattern of sectoral benchmarking and peer mimicry, which Pereira et al. (2022) describe as a key mechanism through which ESG innovation diffuses in B2B markets. Telia’s supplier engagement strategies and Ericsson’s lifecycle-based product assessments are examples of how industry leaders signal ESG maturity, prompting others to follow suit. These findings align with interview insights, where internal actors referenced cross-company comparisons as a way to improve or validate their sustainability approach.

2.5 Sustainability in the telecom industry

As the European green deal pushes for climate neutrality by 2050, the telecom industry faces increasing pressure to align its operations with sustainability targets. This section outlines the sector’s carbon footprint, key technological innovations aimed at improving sustainability, and examples of industry responses to these challenges. Modern telecommunications depend on the digital infrastructure that requires a large amount of electricity as well as continuous power growth. In 2022, EU data centres and telecom networks together consumed 2.8–3.8% of the region’s total electricity (Kamiya & Bertoldi, 2024).

The telecommunications industry stands out as one of the primary carbon emission sources because of the excessive energy required for mobile networks and server farms together with signal transmission procedures. Radio towers combined with powerful infrastructure along with cooling systems escalate environmental damage in this sector (Mohanty & Moreira, 2014). Growing mobile and cloud services increase energy demand despite efficiency gains. Building on this

environmental impact, the industry has responded by developing new technologies aimed at minimizing energy use and promoting sustainability.

Although 5G enables faster connectivity and long-term energy efficiency through advanced features, it has also driven a 140% increase in total energy consumption compared to 4G due to denser infrastructure and more base stations (Lopez-Perez et al., 2021). However, energy-saving mechanisms such as massive MIMO which is a technology that uses many antennas to transmit data more efficiently, lean carrier design, and advanced sleep modes help mitigate these impacts. Machine learning further enhances efficiency by optimizing traffic flows and resource use, contributing to smarter, more sustainable network operations (Lopez-Perez et al., 2021). New cloud and edge computing systems allow mobile operators to cut their environmental impact through locality-based data processing and decreased data exchange between systems. The 2024 report from Visionary Analytics reveals that these technologies boost operational efficiency while decreasing power consumption through localized computing of data at its origin point which minimizes power transmission losses (Visionary Analytics, 2024).

Telecom operators are adopting various practical solutions which consist of base stations driven by solar power together with liquid cooling systems and intelligent storage facilities. The telecom giants Deutsche Telekom (DT), British Telecom (BT) and Telia invest in infrastructure improvements supported by emerging technologies to achieve sustainable long-term emission reductions (Visionary Analytics, 2024). Big companies have taken steps to implement sustainability strategies and position themselves globally.

Different European telecom companies have adopted separate sustainability methods while Telia and Ericsson demonstrate the most advanced sustainability efforts. Telia executed a carbon neutrality commitment to reach its 2040 goal for its value chain and achieved substantial progress by moving its network energy supply into renewable energy domains (Visionary Analytics, 2024). Ericsson integrates product design with lifecycle thinking through its strategy that reduces emissions during the production stage and equipment usage and disposal phase.

European operators tend to perform well in ESG compliance and policy alignment (Visionary Analytics, 2024). Another trend within the industry is the development of B2B sustainability solutions. Telecom companies are now offering services such as smart city infrastructure, energy monitoring tools, and predictive analytics platforms. These tools help clients cut emissions and

energy use, positioning telecom operators not only as service providers but also as facilitators of environmental efficiency across multiple sectors (Visionary Analytics, 2024).

2.6 Financial impacts of Sustainable transition

Sustainability transitions affect both long-term value and short-term profitability. By examining 116 publicly traded Swedish companies, Pham et al. (2021) offer empirical support for this claim. They discover a favourable correlation between sustainable practices and important financial performance metrics as Return on Equity (ROE), Return on Assets (ROA), and Earnings Yield (EY). According to these findings, companies implementing sustainability transitions may see financial gains, which is consistent with earlier studies showing how environmental, social, and governance (ESG) initiatives can enhance financial performance (Ameer & Othman, 2012). But Pham et al. (2021) also point out that this relationship is complicated.

While high sustainability ratings correlate with strong performance, CSRD shows a negative link with profitability highlighting that not all ESG investments pay off immediately. Prior to seeing financial rewards, some businesses could encounter short-term expenses or market scepticism (Cerciello, Busato, & Taddeo, 2023).

Some argue ESG distracts from profits, but research shows it can boost long-term performance (Lu et al., 2022). Pham et al. (2021) demonstrate that purposeful ESG transitions, particularly when aligned with frameworks like the UN Global Compact or Global Reporting Initiative (GRI), can strengthen both sustainability outcomes and economic resilience, offering a relevant lens for evaluating corporate strategies under the EGD.

The Telia Company's shift to sustainability has improved its environmental standing and produced measurable financial gains. Telia illustrates how incorporating sustainability into fundamental company strategy can improve long-term resilience and economic performance in its 2023 Annual and Sustainability Report (Telia Company, 2024).

The company's emphasis on sustainable operations contributed to its strong development, as seen in its 2023 financial results. Telia’s adjusted EBITDA rose from SEK 29.0 to 30.3 billion, and operational free cash flow increased from SEK 5.1 to 6.7 billion, reflecting gains tied to ESG-related cost efficiencies. A stable dividend of SEK 2.00 per share was maintained by the company,

while the net debt/adjusted EBITDA ratio increased marginally to 2.32x, indicating ongoing investor confidence (Telia Company, 2024).

In operational sectors, sustainability initiatives have had a particularly significant influence. Since 2018, Telia has reduced CO2 emissions from its own operations by 87%, and it is on course to reach its 2030 goal of 90% reduction. With all operations and networks now powered by renewable electricity, this shift is supported by a robust renewable energy plan (Telia Company, 2024).

The company's supply chain is affected by its environmental activities. Science-based targets currently regulate more than half (52%) of supplier emissions, and 11% of suppliers have pledged to set such targets within the next two years. Telia's long-term credibility in climate action has been strengthened by the Science Based Ambitions project (SBTi), which has also confirmed its net-zero ambitions (Telia Company, 2024). Through models of the circular economy, Telia is bringing about change beyond emissions. In 2023, "Device as a Service" models accounted for 27% of mobile phones sold to business-to-business clients, promoting reuse and cutting down on electronic waste. Additionally, 72% of operating trash was recycled or reused (Telia Company, 2024).

Beyond its own environmental impact, Telia's services also support sustainability. Its digital solutions, such IoT apps and virtual meeting platforms, assist clients in cutting emissions. These services made it possible to save CO2 emissions by more than 433,000 tons in 2023 alone, which is the same as 3.1 million round-trip flights between Stockholm and Helsinki.

Telia demonstrates how aligning sustainability with business strategy supports financial performance in an increasingly ESG-driven telecom industry (Telia Company, 2024).

2.6.1 Tension between sustainability & profitability

Despite the increasing agreement that sustainability is strategically relevant to value creation in the long term, there remains considerable debate over whether sustainability initiatives support or constrain profitability, especially in sectors like telecommunications that face high capital demands and regulatory pressure. Companies can achieve competitiveness by synchronizing environmental performance with innovation and efficiency. Others warn that such initiatives are costly in the short term and hard to defend in profit-maximizing environments.

In their meta-analysis of more than 200 empirical studies, Margolis, Elfbein, and walsh (2009), reveal substantial variation in how corporate social performance correlates with shareholder returns. There are companies that realize enhanced brand equity and stakeholder trust, but others face higher costs of doing business, regulation complexity, or limited market awareness. Some ESG investments may not yield short-term financial returns.

This tension is compounded by administrative and cost pressures brought about by regulatory reporting demands, such as those of the EU's Corporate Sustainability Reporting Directive (CSRD). Although the CSRD is intended to promote transparency and stakeholder trust, it also imposes reporting demands upon companies. Simnett and Huggins (2015) suggests that such mandatory frameworks make heavy demands in terms of investing in infrastructure for ESG data, compliance personnel, potentially diverting funds from innovation. For companies with operations in more than one European jurisdiction such as Telia and Ericsson the multifaceted nature of conformity in these shifting standards increases expense as well as risk.

In addition, experts like Delmas and Burbano (2011) caution about symbolic conformity or greenwashing. If companies are under high levels of external pressure to report good progress for ESG but have not enough resources or will to implement operational modifications, they might resort to mere-appearance measures that improve reputation more than performance.

In an industry where infrastructure development costs and 5G deployment are already cost-intensive, pressures from sustainability are exacerbated. There is tension to invest in energy-saving technologies and circular economy solutions, coupled with shareholder expectations to yield predictable returns.

2.7 Barriers and enablers to sustainable business transformation

Sustainability integration is shaped by external barriers and internal drivers. Understanding these factors reveals what slows or accelerates environmental transition.

External barriers

Businesses experience significant challenges due to unpredictable policy changes, which constitute a major external obstacle. Frequent and vague policy changes create institutional uncertainty, making firms hesitant to invest in sustainability due to fears that upfront costs may not align with future regulations (Mura et al., 2021). The costs needed to fulfill compliance requirements present

a major obstacle. Firms must invest in expensive new technologies or processes to meet sustainability-related policies. Short-term financial objectives within larger businesses frequently obstruct investments in sustainability initiatives that require long-term planning. In highly competitive markets, companies may prioritize economic logics over environmental logics, limiting their willingness to adopt practices that do not immediately align with profitability goals.

Market competition also operates as a barrier to implementing these initiatives. In price-driven markets, firms often prioritize short-term cost savings over green innovation. Organizations pursuing quarterly profits tend to avoid environmental investments with long-term benefits, as Mura et al. (2021) have noted. This illustrates the tension between competing institutional logics, profit maximization vs. environmental responsibility within organizational decision-making.

Internal enablers

Many companies achieve sustainability progress by maintaining robust internal motivators that help overcome barriers. Organizations that create supportive corporate cultures also serve as key enablers. The participation of employees in sustainability initiatives, alongside their shared environmental values, leads to stronger collective engagement (Jones,. et al, 2023). The alignment of cultural values allows organizations to develop innovative solutions that embed sustainability targets into daily operations (Khan et al., 2024). Here, cultural-cognitive legitimacy plays a role, as shared norms and values within the company shape sustainability behavior.

Digital transformation presents companies with significant potential to support sustainability. By implementing automation, data analytics, and smart monitoring systems, firms can improve energy efficiency, reduce waste, and enhance resource effectiveness (Nguyen et al., 2023). Organizations benefit from both cost reduction and improved environmental goal achievement through digitalization. These initiatives help firms signal legitimacy by aligning with external green innovation pressures.

2.8 Role of Green Subsidies and Stakeholder pressure

The sustainability transition receives influence from ecosystem forces which extend beyond internal and external business elements. Government subsidies together with incentives act as essential instruments which minimize the financial obstacles associated with green investments. Strategic subsidies designed to support renewable energy adoption will help speed up the process of implementing eco-innovations and clean technologies. However, well-designed subsidy

structures are essential, as poorly implemented subsidies can lead to misuse and misalignment with long-term climate targets.

External groups including customers as well as investors and NGOs along with regulatory bodies produce substantial pressure that drives sustainability transition. The rising public standards of environmental accountability expose companies to increased reputation risks when they do not take action to protect the environment. Organizations adopt environmental practices at higher rates when external stakeholders monitor their activities according to research findings (Gavronski & Klassen, 2023).

These elements create an intricate system which controls both the pace and method by which companies can integrate sustainability throughout their business operations.

2.9 B2B´s impact on sustainability

In line with the European Green Deal (EGD) principles and contemporary sustainability norms, telecom firms such as Telia and Ericsson are progressively offering business-to-business (B2B) solutions that assist other industries in lowering their environmental effect (Ericsson, n.d.-a; Telia Company, 2021). In order to satisfy increasing customer demands for quantifiable sustainability outcomes, they provide energy-efficient infrastructure, renewable-powered networks, and ESG reporting tools (European Commission, n.d.).

Innovations such as green infrastructure and carbon reporting dashboards are being driven by B2B clients' pressure on telecom providers to incorporate sustainability metrics into their products and services as regulatory frameworks like the EGD and CSRD gain importance (Telia Company, 2021; McKinsey & Company, 2025). Nonetheless, telecom companies encounter difficulties in tailoring solutions for a range of businesses with different environmental demands, juggling the costs of innovation and compliance, and keeping prices competitive (Boston Consulting Group, 2024).

For telecom firms operating in regulated and saturated markets, where scalable, cost-effective, and sustainable service programs are essential to long-term profitability, these dynamics underscore the strategic significance of sustainability (Accenture, 2022). According to research, companies that perform well in ESG, including telecoms, have better market competitiveness, lower information asymmetries, and increased customer retention (Maralov et al., 2024; Xu et al., 2024).

Due to telecom firms' capacity to create customized, sustainable solutions for a wide range of business clients directly affects how they strike a balance between environmental goals and revenue, the B2B focus is relevant to the research question. The actual difficulties and tactics telecom companies use to implement the European Green Deal without sacrificing financial viability are highlighted by the necessity to meet the unique sustainability requirements of other industries while controlling costs and maintaining competitiveness.

3.0 Methodology

This section outlines the methodological approaches employed throughout this research project, Following the research onion model and outlining each subsection as a part of the onion model.

3.1 Research Philosophy

This research is based on a constructivist ontology, which views reality as socially constructed and subjective. Concepts such as sustainability and green transformation, in this perspective, are not absolutes but rather are interpreted differently by various people, organizations, and situations (Denzin & Lincoln, 2018). Understanding how the telecom sector perceives these ideas and how such interpretations affect their reactions to the European Green Deal is the aim of this research.

Building on this ontological position, we adopt an interpretivist epistemology, which holds that knowledge is produced by comprehending social phenomena in their particular context. According to Saunders et al. (2019), this viewpoint highlights the significance of individual experiences in forming people's perception of reality. This research attempts to obtain in-depth insights into telecom businesses' perspectives on sustainability and profitability rather than universal claims. Understanding the meanings and values that individuals attribute to sustainability transitions is the main goal.

From this perspective, the knowledge generated in the study is not merely discovered but is instead co-created through the interaction between the interviewees and the researcher. The researcher's subjectivity is viewed as an inherent part of the process of creating information rather than as a possible source of bias. This is consistent with interpretivism, which holds that the researcher's values impact all stages of the research process, from topic selection to data interpretation. (Saunders et al., 2019).

This philosophical and methodological approach is particularly suitable for exploring how companies manage complex and potentially conflicting goals, like profitability and sustainability. According to earlier studies, businesses' perceptions of institutional and market constraints and how they incorporate sustainability into their business models have a significant impact on how they respond to changes in the law (Sol & Heng, 2023) and (Pretorius, 2024).

3.1.2 Research approach

This research employs an inductive research methodology, which means that rather than beginning with preconceived theories or hypotheses, insights and patterns are derived from empirical data *(*Al Masud, n.d.). Understanding corporate behaviour as it manifests itself in the data is the goal, especially as it relates to how businesses react to intricate and changing environmental regulations like the European Green Deal (EGD). This method works well for the exploratory nature of the study, which aims to develop new conceptual insights based on how sustainability is understood and used in organizational contexts rather than testing preexisting ideas. The inductive approach, which involves examining business records and interviews, keeps the research grounded in empirical facts while remaining receptive to surprising discoveries and interpretations. While guided by established theories, this research uses inductive reasoning to explore how companies respond to ESG demands in practice, allowing themes to emerge without testing predefined hypotheses

3.1.3 Data Collection and Analysis

The primary and secondary data used in this research were gathered from publicly accessible documents and semi-structured interviews. Due to their leadership in ESG reporting and active participation in the European telecom sector, Telia and Ericsson were chosen by theoretical sampling. Six participants were interviewed. Respondents were selected based on their roles in strategy or sustainability, without consideration of demographic factors such as gender, age, or ethnicity, which were deemed irrelevant for this thesis. Financial statements, stakeholder communications, and sustainability reports were examples of secondary data.

3.1.4 Semi-Structured Interviews

Professionals from Telia and Ericsson who work in sustainability, finance, and regulatory compliance participated in semi-structured interviews. While enabling participants to expound on intricate or organization-specific procedures, this framework guaranteed uniformity throughout interviews. Profitability, ESG integration, investment strategies, and regulatory adaptation were among the subjects discussed in the interviews.

Microsoft Teams was used to conduct the about 30- to 45-minute sessions, and verbal agreement was obtained before they were recorded. Participants had the chance to examine their contributions, and transcripts were prepared for examination. This approach aided in the investigation of financial planning and strategic reactions to stakeholder expectations, EGD, and ESG requirements.

The theoretical underpinning of the study influenced the interview questions. The emphasis on stakeholder pressure and ESG incentives was driven by legitimacy theory, and inquiries into the conflict between sustainability and financial objectives were directed by institutional logic.

3.1.3 Methodological Choice

Using a qualitative approach, this research investigates how businesses understand and respond to sustainability demands under the European Green Deal (EGD). The goal is to convey the intricacy of organizational behavior, especially the internal conflicts between sustainability and profitability, rather than quantifying causal links. Context-dependent phenomena, such as how ESG objectives are incorporated into operational decision-making, are best interpreted using a qualitative method. Professionals from Telia and Ericsson with backgrounds in sustainability, finance, and compliance participated in semi-structured interviews, providing in-depth, first-hand knowledge of internal strategy and regulatory adaptation. The interviews were complemented by document analysis of corporate reports, ESG disclosures, and pertinent policy papers to guarantee triangulation. Although financial information is sometimes used to support interpretations, such as EBITDA trends or green bond frameworks, statistical analysis is not done in this research. This thesis's interpretivist epistemology and inductive reasoning prioritize meaning making over measurement, consistent with its theoretical foundation in Institutional Logics and Legitimacy Theory.

3.2 Research design

This research examines how telecom businesses react to the European Green Deal using a qualitative research design and an inductive, case-based methodology. The goal is to compile

comprehensive empirical data that reflects telecom companies' viewpoints, tactics, and behaviors with regard to sustainability policy. The study focuses on two case companies, Ericsson and Telia, and it strictly includes semi-structured interviews with important strategy and sustainability staff members. A fuller comprehension of the intricate relationship between business responsiveness and policy pressures is made possible by this design.

3.2.1 Strategy - Case study

To investigate how Telia and Ericsson understand and use sustainability measures in response to the European Green Deal, a multiple-case study approach was used. Given the study's interpretivist epistemology and inductive methodology, this technique is especially suitable since it allows for a thorough examination of organizational activities in their actual environments (Yin, 2014). The analysis is made richer by using two different but similar companies, which enables cross-case comparison and the discovery of both similar and different trends in the ways that telecom companies use ESG policies. The selection of Telia and Ericsson was based on theoretical sampling; both businesses are leaders in the ESG reporting space, have made significant public pledges to sustainability, and offer a wealth of information through financial statements, stakeholder communications, and sustainability reports. Their unique business models and significance in the European market enhance the empirical analysis and lend credence to the use of theories like institutional logics and legitimacy theory. Comparing Telia and Ericsson provides variation in ESG strategy, organizational structure, and stakeholder engagement, helping to identify how similar firms adopt different approaches under the same regulatory regime.

3.2.2 Time Horizon - Cross-sectional

With an emphasis on organizational behavior and strategic responses in the years after the European Green Deal's implementation (from 2019 forward), this research predominantly uses a cross-sectional time horizon. A cross-sectional methodology works well for documenting how telecom companies now perceive and respond to stakeholder and regulatory concerns regarding sustainability. In a particular policy environment, the study seeks to give an overview of how firms such as Telia and Ericsson are managing the transition to ESG-driven strategy. However, in order to demonstrate significant shifts in the focus on sustainability, reporting requirements, and investment goals, a few comparable examples to pre-2019 practices are included. This temporal difference, though not complete longitudinal research, helps show how the EGD has changed

business behavior over a brief but significant time frame. This method prioritizes context and depth above time-series generalization, which is consistent with the study's inductive and interpretive nature.

3.3 Document Analysis

Findings were triangulated by using document analysis to supplement interview data. ESG disclosures, financial accounts, sustainability reports, policy documents, and trade journals were among the sources used. By offering information on sustainability initiatives, strategic adjustments, and financial results associated with the EGD, these materials bolstered the more comprehensive analysis.

Documents were used to support and validate interview insights. The analysis focused on how sustainability strategies changed in response to stakeholder and regulatory pressures, examining changes both before and after the 2019 EGD launch.

To show trends, important financial variables were descriptively cited, including revenue, operational profit, sustainability investments, and green bond frameworks. Nevertheless, no statistical analysis was carried out.

3.3.1 Thematic Analysis

Qualitative data analysis utilized a thematic analysis strategy, which is appropriate for searching and interpreting meaning patterns in the interview-based research and case study. (Braun & Clarke, 2006). By using thematic analysis, there was scope to conduct a flexible but systematic exploration of the ways in which Telia and Ericsson respondents think about and react to sustainability issues in the European Green Deal.

Four core themes resulted from this process:

(1) Regulatory Adaptation to the European Green Deal
(2) Top-down Steering and Accountability
(3) Sustainability as Business Strategy
(4) Stakeholder Pressure and Legitimacy

The themes were inductively drawn from the empirical data, representing recurring concepts and tensions within the data. The process focused on capturing both commonality and diversity in

participants' points of view, with the goal of developing a nuanced picture of the management of sustainability and profitability at practice level.

The identified themes are most closely aligned with the research questions and theoretical concepts that the study engages with, viz., Legitimacy Theory and Institutional Logics, and formed the analytic basis for organizing the findings in Chapter 4.

3.4 Sampling strategy

A purposive sampling method was used to select interviewees with direct relevance to the research objective. Six individuals were recruited based on their roles and expertise in finance, sustainability strategy, strategic sourcing, or external environmental consulting within the telecom industry:

Name	Title & Affiliation	Key Contributions
Mats Nelson	Sustainable Finance Manager, Telia Treasury	Internal financial and ESG integration; green financing, scenario planning, and investor expectations.
Hanna Duraku	Climate Strategy Expert, Telia	Implementation of climate targets; CSRD challenges; embedding ESG into operational functions.
Louise Rehbinder	External Sustainability Expert (ex-Ericsson)	Cross-sectoral and value-chain perspective on telecom's climate challenges; industry-wide climate trend reflections.
Andrea Forfana	Strategic Sourcing Lead, Ericsson	Strategic sourcing innovation; regulatory influence on investment; supplier sustainability integration.
Magnus Lindwall	Sustainability Strategy Manager B2B, Telia	B2B customer expectations; ESG communication; long-term market positioning under the European Green Deal (EGD).
Daniel Paska	Director, Sustainability Policy, Ericsson	Sustainability policy leadership and direction

Table 3: Interviewees

Participants were recruited through professional networks and referrals, with the assistance of Helena Odensåker, Ingela Hansen, and Björn Hansen, who helped establish contact with relevant industry professionals. All participants gave verbal consent to be recorded and cited by name in this academic study.

This diverse sample supports methodological triangulation by incorporating perspectives from finance, operations, sourcing, and external consultancy, thereby increasing the study's validity and depth.

3.5 Scope and Limitations

Scope

This thesis examines how sustainability and profitability are managed in the telecom sector, with a focus on Telia and Ericsson, two major Swedish telecommunications companies with significant operations in Europe. These firms were selected due to their market influence, transparency, and alignment with the European regulatory landscape. The analysis concentrates on the European Green Deal (EGD) as the primary policy framework influencing corporate sustainability requirements in the region. The research explores how large telecom companies incorporate environmental objectives into their strategic and financial planning within a highly regulated environment.

Data Sources and Availability

The study relies exclusively on publicly available data, including annual financial statements, ESG reports, investor presentations, and other corporate disclosures. These materials provide insight into company strategies and sustainability initiatives; however, they represent the narrative the companies choose to communicate publicly. As a result, key internal information such as detailed costs of green investments, operational trade-offs, or internal performance targets is inaccessible. This limitation restricts the ability to draw definitive conclusions about the financial impact of sustainability actions or to validate the causal relationship between environmental strategy and profitability.

Interviews and Methodological Constraints

To complement the document analysis, interviews were conducted with employees from Telia and Ericsson who are directly involved in sustainability, strategy, or corporate governance. These participants were selected based on their roles and expertise to ensure relevance to the research objectives. However, the number of interviewees was limited, and their responses may not fully represent the diversity of views across departments or organizational levels. Additionally, interviews were conducted in Swedish and later translated, introducing potential issues related to

language clarity or interpretation. Although efforts were made to minimize miscommunication, language differences may have affected the depth or precision of some responses.

Generalizability and Bias

This research is focused on two large, publicly traded European telecom companies. As such, the findings cannot be generalized to smaller firms, non-European markets, or sectors outside telecommunications. Moreover, interview participation was influenced by availability and willingness, which may introduce selection bias. Some key individuals were unavailable for interviews, and participants were limited in what they could share beyond publicly disclosed information. Consequently, the study may not fully capture sensitive strategic insights or internal debates surrounding sustainability implementation. Additionally, there is a chance of bias because both Ericsson and Telia naturally want to project the best possible image of themselves, and a large portion of the information gathered on them originates from publicly accessible documents on their own websites. This research focuses primarily on their sustainability efforts as reported by the companies themselves, which may not fully capture the whole picture. However, they have faced some challenges in the past, such as Ericsson's preparation for significant fines following a bribery scandal in Iraq (Aktuell Hållbarhet, 2022) and Telia's involvement in a corruption scandal that led to a renewed focus on business ethics (Dagens Industri, 2020).

3.6 Ethical Considerations

At the start of each interview, participants were informed about the purpose of the study, how the collected data would be used, and their rights regarding participation. Informed consent was obtained verbally, with several participants also confirming their consent in writing via email. Participation was entirely voluntary, and all individuals had the right to decline or withdraw at any time.

While participants were given the option to remain anonymous, all chose to disclose their names. To ensure accuracy and uphold transparency, we shared post-interview summaries with participants, allowing them to review and correct any misinterpretations. In multiple cases, feedback was received via email to validate that our written accounts accurately reflected the interviewees' views.

Interviews were conducted in either Swedish or English, depending on participant preference. Although all efforts were made to maintain the accuracy of translations, some contextual nuances

may have been affected during the translation process. To minimize this risk, participants were invited to review summaries of their statements for clarification.

All interviews were recorded with prior consent and subsequently transcribed. Recordings were securely stored on a password-protected device accessible only to the research team. The data is used exclusively for academic purposes and will not be distributed outside the context of this thesis.

No sensitive personal data was collected, as all conversations focused solely on professional responsibilities and organizational sustainability practices. As the study involved minimal risk and did not include vulnerable populations or sensitive personal information, formal ethical approval was not required. Nevertheless, all research activities were conducted in accordance with established ethical standards in academic research.

4.0 Findings

This chapter presents the empirical findings based on primary interview data and secondary company documents. Before presenting the thematic analysis, we provide a short overview of the two case companies and the individuals interviewed, in line with best practice for multiple-case study design.

4.0.1 Case company description

The case company study built on Ericsson and Telia and the reason why and who Telia and Ericsson are is shown in the introduction section of this research. Here we just want to highlight some similarities and differences between the companies to strengthen the description of them.

Similarities: Both firms have ambitious climate targets and align their sustainability work with the European Green Deal (EGD). Each company integrates ESG with core operations and long-term profitability.

Differences: Telia adopts a finance-led, centralized model, while Ericsson follows a technology-led, decentralized model. Telia uses green bonds and formal KPIs extensively; Ericsson focuses on energy-efficient design and policy engagement.

4.0.2 Overview of respondents

The following six individuals participated in semi-structured interviews:

Telia Respondents:
Mats Nelson – Sustainable Finance Manager, Treasury *(Expert on green bonds, ESG-linked loans, investor engagement)*
Hanna Duraku – Climate Strategy Expert *(Responsible for CSRD reporting, internal ESG education, operational integration)*
Magnus Lindwall – Sustainability Strategy Manager B2B *(Focuses on client expectations, ESG-driven innovation, B2B engagement)*
Ericsson Respondents:
Daniel Paska – Director, Sustainability Policy *(Policy expert focused on EU regulatory adaptation and lobbying)*
Andrea Fornara – Strategic Sourcing Lead *(Works on cost-sustainability trade-offs in supply chain sourcing strategy)*
External Expert:
Louise Rehbinder – Director at ERI (formerly Ericsson sustainability leader) *(Provides a cross-industry perspective on implementation, CSRD, and peer pressure dynamics)*

Table.4, Interviewees

All interviewees have direct knowledge of their company's sustainability strategy, ESG governance, and financial decision-making in relation to the European Green Deal.

4.1 How have the companies adapted to European Green Deal (EGD) regulations?

The investigation of Telia's financial operations for EGD objectives is based on our interviews. This part summarizes Telia's approach to sustainable investing, its ESG integration, and green financing tools, while outlining the company's strategy for fulfilling future regulatory commitments and stakeholder expectations.

Telia launched its green bond framework in 2019 as part of its broader plan to link sustainability with financial decision-making.

Nelson (T) noted challenges in classifying customer-facing digital services as 'green,' since they involve smaller investments that are harder to link to green bonds. Nelson (T) emphasized the importance of credibility in the allocation process, noting that only clearly eligible Capital Expenditure projects are linked to green financing.

Additionally this section includes information from an interview with Daniel Paska (E), who serves as Ericsson's EU Public Affairs Lead, about the company's sustainability approach tied to the European Green Deal (EGD). The research shows Ericsson meets regulations with decentralized sustainability programs.The sustainability approach at Ericsson began before the EGD launch, with its main focus being the reduction of carbon emissions across the long term. Paska (E) confirms that the EGD did not make major changes to Ericsson's core climate performance goals, which already matched international agreements like the Paris Agreement. As he explained,

"The EGD hasn't really changed the concrete work. Our main goals were already in place, aligned with the Paris Agreement."

Paska (E) noted that the 70–80 new EGD regulations created major compliance burdens for Ericsson. He highlighted that many of these policies were inconsistent or contradictory, which led to increased implementation costs and operational uncertainty for the company. According to Paska, this volume and complexity of legislation made it difficult to maintain clarity and focus in sustainability work, particularly when different regulations pulled in conflicting directions. As he described,

"There was too much legislation, and much of it was contradictory. That's what caused implementation costs to spike."

Ericsson actively participates in EU initiatives intended to streamline and unify climate-related regulatory frameworks.

Paska (E) explained that on the risk side, Ericsson is cautious of poorly designed legislation that could disrupt operations. He highlighted the digital product passport proposal intended to standardize transparency about product contents and manufacturing as a current example of regulatory overreach. He described the initiative as underdeveloped and technically unclear, creating confusion and implementation delays.

Paska (E) explained that at the same time, Ericsson engages in strategic lobbying and policy influence. The firm maintains strong relationships with EU institutions, including DG Energy, DG Environment, and DG Connect. Paska (E) described how Ericsson advocates for the inclusion of digital solutions in energy policy, arguing that smarter grids and connected infrastructure are essential for scaling renewable energy. Ericsson has welcomed the EU's new Clean Industrial Deal as a strategic opportunity to align environmental and industrial goals but has criticized the lack of attention to digitalization in the plan's current draft.

In addition to the internal company insights, the study also incorporates perspectives from Louise Rehbinder, Director at ERI and former employee at Ericsson, who brings over 16 years of experience in IT, procurement, and sustainable strategy. Her semi-structured interview offered an external viewpoint on the operational, regulatory, and strategic challenges posed by the European Green Deal (EGD) within the telecom industry, particularly regarding its long-term feasibility and implementation complexity.

Rehbinder expressed the need for more adaptable, sector-specific regulation that supports meaningful change without imposing unsustainable administrative burdens. She also advocated for cross-sectoral collaboration, especially in relation to scarce materials. According to her, industries must begin planning for efficient allocation of critical resources, such as recycled aluminum, by coordinating which sectors construction, automotive, and telecom have the strongest climate use case.

She also commented on the overreliance on compliance reporting under frameworks like CSRD. She observed that many companies have redirected resources from innovation to meet reporting demands, sometimes weakening their ability to invest in effective climate action. According to her, a narrow focus on documentation risks becoming counterproductive:

"Some firms have closed their sustainability departments just to focus on CSRD reporting. That's a step backward, unless sustainability has already been thoroughly and successfully integrated into other relevant departments within the organization."

Hanna Duraku, Climate Strategy Expert at Telia, identified the Corporate Sustainability Reporting Directive (CSRD) as the most daunting operational aspect of the European Green Deal. The directive requires companies to report on a wide range of environmental, social, and governance (ESG) indicators, posing significant implementation challenges. This translated to more than 650 different pieces of data in the case of Telia, the majority of which needed to have specific numerical values assigned to them. Collecting the data was extremely time-consuming, partly due to the fact that the data originated in numerous IT systems around the company that did not easily talk to one another.

This challenge reflects a broader concern raised by Rehbinder, who questioned the design logic behind the CSRD framework:

"When there are enormous reporting requirements, like with CSRD for example, you have to ask, was there really a clear understanding of what impact this would have on companies?"

Her comment highlights the disconnect between regulatory ambition and the operational realities that companies must navigate. In the end, despite the difficulty, it was possible to publish its first CSRD-compliant report a year in advance of the deadline, highlighting the internal sense of urgency and the pressure deriving from combined expectations of regulators, investors, and customers.

Duraku (T) explained that in order to fulfill the reporting obligation, the sustainability reporting instrument was upgraded by Telia. Still, she added that a great deal of data is keyed in by hand, and the whole process is slow and vulnerable to errors. She called the data collection of the emissions "manual and dumb," and it is far from being automated given the company's status as a technology leader.

These internal difficulties, despite technological upgrades, point to a broader challenge faced by many companies: the gap between policy and implementation. As Paska (E) put it,

"There is a significant disconnect between those who write policy and those who are expected to execute it,"

underscoring the structural misalignment between ambitious regulatory demands and what companies are practically equipped to deliver.

Andrea Fornara (E), a senior leader in global strategy and sustainable operations at Ericsson, explained how the company's sourcing strategy is designed to align environmental and financial goals. He offered the example of transitioning from primary to recycled aluminum in product design, which reduces emissions while also lowering material costs. However, he emphasized that "it's not trivial or simple to just do that shift," due to the technical requirements of specialized components. This underscores how sustainability adaptation under the EGD requires coordination beyond sourcing particularly with R&D and product development teams.

Fornara (E) also described how emissions calculations now extend beyond Tier 1 suppliers to deeper levels of the supply chain. This granular data is used as part of supplier award criteria, particularly in logistics and component sourcing. As he noted, "We compare emissions across ocean, air, and road transport," demonstrating how ESG has become a functional metric in procurement strategy.

Nevertheless, Duraku (T) underlined that changes are being implemented and IT support to the sustainability reporting has improved a big step compared to earlier years when the work was being completely left in the hands of the sustainability department without the support of technical counterparts.

Aspect	Telia	Ericsson
EGD alignment strategy	Integrates ESG targets into financial controls and CSRD planning	Focus on regulatory lobbying and decentralized implementation
Data systems	Advanced reporting system; CSRD-compliant and centralized	Fragmented reporting; manual processes remain
Green finance tools	Green bonds, ESG-linked loans, internal pricing of carbon	Limited use of financial tools; relies more on technical design changes
Readiness for EGD reporting	Proactive; uses ESG for investor legitimacy	Reactive; preparing compliance while maintaining flexibility

Table 5: Regulatory Adaptation

4.2 How is sustainability governed through top-down steering and accountability structures?

Nelson (T) said beyond the green bonds, Telia has also implemented sustainability-linked financing, most notably through a €1.2 billion syndicated loan connected to three ESG key performance indicators (KPIs): climate, diversity, and digital skills. If Telia meets these KPIs annually, the interest margin on the loan is reduced. This mechanism introduces a financial incentive for achieving ESG goals and further integrates sustainability into day-to-day business operations.

In terms of organizational integration, Telia has made structural changes to ensure that sustainability is not siloed from financial strategy. The company has merged its sustainability team into the controlling and financial planning departments, fostering cross-functional collaboration and coherence in strategic planning.

"It can't be two separate teams anymore. Financial planning and sustainability must sit together only then is it real," Nelson (T) explained.

Telia's sustainability strategy is closely tied to financial decision-making and long-term business resilience. In its 2023 Annual and Sustainability Report, Telia reaffirmed its goal to reach net-zero emissions across its value chain by 2040. It has already achieved an 87% reduction in operational CO_2 emissions since 2018 and aims for a 90% reduction by 2030. These reductions have been made possible by shifting entirely to certified renewable electricity through long-term power purchase agreements (Telia Company, 2025).

Sustainable financial mechanisms have been central to Telia's ESG integration. The company has issued €500 million in green bonds, and its syndicated loans are linked to ESG KPIs, including carbon intensity, gender equality, and digital skill development. These financial instruments allow for interest rate reductions if sustainability targets are achieved, aligning environmental and financial goals (Telia Company, 2025).

Paska (E) explains Internally, Ericsson has shifted away from centralized ESG control toward a more distributed model. As Paska (E) explained, the company has worked to create ownership of sustainability at the level of individual business units. Instead of setting all climate targets from the top, business areas now establish their own goals and timelines. This decentralization has allowed sustainability to become more embedded in day-to-day operations and decision-making.

The approach supports internal knowledge-building and allows for tailored responses to regulatory and market demands.

Rehbinder underlined a recurring challenge among companies attempting to align with environmental targets: a fundamental misunderstanding of what these climate goals truly entail. While many companies have declared commitments such as halving emissions by 2030 or reaching net-zero by 2050, she argued that these ambitions often remain theoretical due to a lack of practical comprehension at the operational level. She emphasized that companies frequently fail to visualize the societal and industrial shifts that such transitions demand. As she explained, many businesses do not yet grasp what a net-zero economy would require in terms of product viability and market transformation.

Rehbinder suggested that the telecom sector and many others have only begun to reckon with the deep changes necessary to meet these long-term environmental goals. These competing pressures slow transformation and produce fragmented ESG outcomes. She noted that companies are now realizing that they are not on track to meet their targets, especially those dealing with physical products or embedded hardware. This realization leads to delayed strategy reformulations. She noted:

"Many companies set ambitious net-zero goals, but few fully understand what it will take to reach them. Especially in hardware-focused industries, companies are beginning to realize they're falling short."

Duraku Explains that Telia makes sure climate and environmental goals are put in place in every business unit by cascading group-level sustainability goals down to the national markets for example Sweden, Finland, Norway, and Lithuania. It's the job of the CEOs in those markets to map their local operations onto the group-level objectives. They report quarterly progress against the targets, generating a continuous feedback loop back to the central sustainability team and the local units. As Duraku explained, *"*every CEO of the markets like Sweden, Finland, Norway, Estonia, Latvia, Lithuania, the CEO is having the same targets broken down from the group sustainability level*"* which reinforces how central strategies are localised through structured accountability. Although every market is given the autonomy to tailor its implementation method to the business conditions in its market, whether its operations are more B2B or B2C in orientation the direction is uniform overall. This shows that even within a centrally guided model, Telia allows a degree of local autonomy. As Nelson (T) explained,

“Local business areas set their own goals and timelines,”

Reinforcing that top-down steering is accompanied by bottom-up flexibility where appropriate.This adaptation at the local level is reconciled through recurring reporting and sharing of best practices across markets. It is one of Hanna Duraku's jobs to promote the cross-market sharing of best practices, so effective approaches can be "copied with pride" and not have the different units start anew every time.

Duraku (T) explained that instead of establishing separate units devoted entirely to climate work, Telia opted to embed the ESG duties in current jobs in the company. Employees who previously had a similar task or interest were upskilled in order to do the calculations and report on the emission data. Only in connection with the CSRD did they establish new positions, including three full-time employees in the finance department to aid the reporting effort. This decision illustrates Telia's conviction that sustainability can't be a standalone activity, it must be infused company-wide. Each department and team needs to know their role and have goals aligned to group-level environmental targets. Duraku (T) underlined the need for these goals to "go really, really down" to the company's operating levels in order to work effectively.

Duraku (T) explained that the implementation of the CSRD and the other EU climate regulations also resulted in a company-wide education initiative. Training sessions were conducted not only for the employees but also the top executives and even the board members. This initiative was to raise awareness and to ensure that everyone, ranging from the top executives to the operational workers, knows what sustainability reporting is and why it is important. Duraku (T) approximated that approximately 95% of the employees are currently aware they play a role in the process, even though they had no history of reporting that type of data before.

“CSRD and green deal are the most loved and most hated topics, but everybody is aware of them, not 100% but lets say 95% of employees know because they need to report”

Aspect	Telia	Ericsson
Governance model	Strong top-down integration via CFO and sustainability heads	Decentralized ESG ownership by business units
Goal-setting	Annual carbon budgets, SBTi-aligned targets embedded in performance systems	Long-term climate targets, but driven by each division
Employee engagement	95% ESG awareness training; KPIs pushed to all levels	Training varies by unit; less centralized awareness
Internal monitoring	Strategic reviews tied to financial reporting	Business-unit specific reviews; limited standardization

Table 6: Steering and Accountability

4.3 How does sustainability inform business strategy and value creation?

Telia Generally issues bonds of around 500 million euro. Telia dedicates bond-generated funds to upgrade its network infrastructure through fiber and 5G implementations that reduce operational power consumption while providing improved functionality. The projects not only benefit the environment but also bring advantages in three areas: better service for customers, lower operating costs, and sustainability gains.

"Fiber and 5G are expensive, but they consume less energy and improve efficiency. We didn't invest in them only to be greener—it's a mix: customer demand, cost-efficiency, and sustainability," Nelson (T) explained.

Nelson (T) explained that while profitability remains essential, Telia does not view ESG as a constraint but rather as a strategic opportunity. Nelson (T) argued that serious, business-minded ESG implementation lowers long-term business risk, builds brand credibility, attracts talent, and potentially increases sales through consumer education and trust. He emphasized that ESG should not become dogmatic but must remain pragmatic and results-driven:

"It has to make business sense. We're not making dumb financial decisions. But if you can educate your customers, show them how your products support sustainability you can grow sales. That's a win-win."

From a profitability perspective, Telia reports growing operational free cash flow and improvements in EBITDA, partly driven by energy-efficient investments in fiber and 5G infrastructure. These upgrades not only reduce energy usage but also enhance customer experience and lower long-term costs. The company also promotes a circular business model: in 2023, 27% of mobile phones sold to business customers were delivered through "Device as a Service" agreements, supporting reuse and waste reduction (Telia Company, 2025).

Telia further emphasizes indirect sustainability impact. Digital services provided by Telia Company including Internet of Things (IoT) technologies, remote healthcare solutions, and virtual meeting platforms helped customers avoid the release of over 433,000 tons of CO_2 in 2023 (Telia Company, 2025). This reflects the company's dual strategy: reducing its own emissions while enabling customers to reduce theirs.

Ericsson aims to achieve net-zero emissions across its entire value chain by 2040. Between 2016 and 2022, the company reduced its Scope 1 and 2 emissions by 57%. As of 2022, 67% of Ericsson's operations were powered by renewable energy, with the goal of reaching 100% (Ericsson, 2022).

ESG considerations are fully integrated into Ericsson's product development. The company invests in mobile network technologies to deliver energy-efficient 5G systems, combining hardware advancements with software based energy optimization. These innovations are designed to enhance customer value and reduce operational energy use, thereby supporting long-term profitability through efficiency (Ericsson, 2022).

Through services like cloud-native infrastructure, traffic management, and energy control tools, Ericsson positions itself as a key enabler of telecom sustainability (Ericsson, 2022).

Ericsson also follows circular economy practices. In 2022, Ericsson recovered or reused 98% of materials from decommissioned equipment, cutting costs and emissions (Ericsson, 2022).

Paska (E) highlighted that Ericsson's sustainability strategy is closely tied to its core technologies. The company leverages its products particularly energy-efficient mobile networks and software-based energy management systems as tools for both compliance and differentiation. According to

Paska (E), innovations such as network sleep-state features and energy optimization software help customers reduce emissions and operational costs. These capabilities are particularly attractive in high-energy-cost regions with carbon-intensive power grids, making sustainability a competitive advantage in certain markets.

While Ericsson recognizes that sustainability efforts can carry short-term costs particularly in hardware and infrastructure, the company views its climate strategy as a long-term business enabler. By embedding energy performance in its core offering and aligning with macro-policy trends, Ericsson seeks to position itself as a critical player in Europe's digital and environmental transformation.

Rehbinder emphasized the importance of product portfolio analysis as an underutilized method to achieve sustainability while preserving profitability. Rather than pursuing blanket sustainability over every operation, she recommended a smarter allocation of resources, evaluating which products can remain viable in a net-zero world and which cannot. Her suggestion was to assess which offerings are climate-worthy and make active choices about reducing or eliminating unnecessary or incompatible products. As she put it,

"Companies should ask themselves: which products deserve to exist in a net-zero economy, and which don't? That kind of thinking is still missing."

However, she also presented multiple examples where sustainability has been voluntarily integrated into companies' core strategies, indicating that firms do perceive long-term value. Examples included Ericsson's LEED-certified U.S. factory and the normalization of sustainable procurement and lifecycle assessments in major telecom firms.

Finally, she pointed out that future improvements in telecom sustainability may require a shift in mindset from minimizing environmental harm to maximizing positive impact. She suggested that the most influential climate contributions from telecom companies may not come from their internal reductions alone, but from enabling other industries and consumers to reduce emissions through digital solutions and connectivity:

"We need to start asking: beyond emissions cuts, how can companies create maximum climate benefit through their core services? That's where real impact lies."

Duraku (T) emphasized that ESG and business development are not seen as separate efforts at Telia. According to her, the company's strategy is based on aligning sustainability goals with commercial operations, rather than diverting resources away from the core business. She pointed to Telia's newly released transition plan for 2030, which outlines the actions needed to reach its emissions targets. One insight from the plan, she noted, is the presence of an "innovation and development gap" particularly regarding technologies that address product life cycle emissions. Duraku described this as a common challenge across the telecom sector.

Magnus Lindwall (T), who is at the cross-functional intersection between Telia's commercial and sustainability operations, reaffirmed that this transformation is most apparent in the B2B segment. Lindwall (T) stated that "customers now expect concrete, customized solutions to drive their own ESG ambitions from circular device concepts to IoT-based efficiency software for real estate and infrastructure". Sustainability is thus turned from an added cost to a strategic differentiator. In his mind, when ESG is mainstreamed throughout Telia's value chain, by way of CSRD, procurement requirements from customers, and internal KPIs sustainability unlocks new business models and more profound relationships with clients. Magnus indicated that sales conversations now go beyond price and performance, but increasingly involve mutual long-term sustainability targets.

Fornara (E) highlighted the complexity of enforcing ESG standards globally. In regions where environmental standards are less mature, Ericsson often acts as an educator rather than an enforcer. "It's more of an educational journey," he explained, describing how the company initiates dialogue to align suppliers with the 1.5°C climate trajectory. This includes clear expectations, public disclosures, and follow-up evaluations. However, he also pointed out power imbalances: "Sometimes our voice is almost not heard," especially when Ericsson is a minor customer for large suppliers. This illustrates the nuanced nature of stakeholder influence across global value chains.

He further noted that ESG expectations, while strategic, can create administrative burdens particularly for smaller firms. Detailed requests on energy use and renewable sourcing can result in what he called "more admin work than real improvements," prompting Ericsson to balance ambition with feasibility in supplier demands.

Aspect	Telia	Ericsson
Strategic integration	ESG is integrated into risk, finance, and investor communication	ESG is embedded in innovation, product design, and policy alignment
Sustainability as value driver	Seen as a way to reduce capital risk and improve investor trust	Seen as a competitive advantage in energy-efficient technology
Innovation model	ESG supports financial credibility and green financing	ESG drives product development (e.g., low-energy networks, 5G efficiency)
Stakeholder positioning	Strong investor and public sector alignment	Strong regulator and telecom operator alignment

Table 7: ESG in Business Strategy

4.4 How do external stakeholders influence ESG practices and legitimacy construction?

Nelson (T) explained that one of the clearest financial benefits observed by Telia has been the so-called “greenium” , a small but measurable reduction in interest costs when issuing green bonds. Nelson (T) described the initial green bond issuance as being met with high investor demand, allowing Telia to lower its coupon rate by an estimated five to ten basis points.

“That might not sound like much, but on €500 million, it’s several million kronos saved per year,” he noted.

Nelson (T) explained that In addition to cost savings, Telia has observed reputational benefits from its ESG leadership. The company views the green bond framework as a “quality stamp” that enhances trust among investors and regulators. According to Nelson (T), the reputational “halo effect” of issuing green bonds also positively influences Telia’s other, non-green financial instruments, making them more attractive to ESG-focused investors.

Nelson (T) also highlighted that Telia does not only issue green bonds it also invests surplus liquidity into sustainable instruments, including external green bonds. This two-sided commitment enhances Telia's credibility as a sustainable player in financial markets.

Telia observes that investor expectations around ESG transparency have intensified, according to Nelson (T). Telia maintains external ESG ratings and increasingly integrates sustainability metrics into investor communications.

"*Investors are under pressure too from regulators and their own stakeholders. They want to see that we're serious. And having green bonds, sustainability-linked loans, ESG ratings that helps build trust,"* Nelson (T) said.

Nelson (T) noted the growing importance of ESG alignment in relation to suppliers, regulators, employees, and customers. Especially among younger generations, ESG performance is seen as a reflection of company values and long-term vision. For Telia, staying ahead of regulatory timelines and demonstrating a coherent, action-based ESG strategy is both a competitive advantage and a risk mitigation tool.

The findings from this interview illustrate how Telia's treasury function serves as a central enabler of the firm's sustainability ambitions. From green bonds and ESG-linked loans to organizational restructuring and scenario planning, Telia demonstrates a high level of maturity in embedding environmental responsibility into financial strategy. The insights from Nelson (T) reinforce the idea that ESG and profitability are not mutually exclusive but are increasingly interdependent in the context of modern corporate governance.

Paska (E) explained that from a stakeholder perspective, Ericsson faces external pressure from telecom operator clients, investors, and regulators. In B2B engagements, sustainability is increasingly part of procurement processes, with clients requesting ESG data as part of tenders. Paska (E) noted that if Ericsson fails to meet a client's sustainability expectations while a competitor like Nokia does, it may lose out commercially. Investors, including major shareholders such as Wallenberg, also monitor ESG performance through forums and reporting requirements, adding another layer of institutional accountability.

Another key finding was the role of industry imitation and peer benchmarking as strong drivers of climate action. Rehbinder pointed out that in the telecom sector, sustainability initiatives spread quickly between firms. Ericsson's supplier model was later adopted by Nokia, BT, and Telenor.

She concluded that telecom firms keep close watch on each other, creating a ripple effect of voluntary action that can exceed regulatory mandates. In this view, brand positioning and peer reputation are just as impactful as top-down regulation:

"Telecom companies benchmark constantly. When one company adopts a climate initiative, others quickly follow. It's a form of positive competition."

Regarding profitability, Rehbinder rejected the simplistic view that sustainability is always immediately profitable. She acknowledged that some strategies, especially in hardware and materials sourcing, result in higher costs. She stressed that scaling ESG fairly requires industry-wide rules to protect early movers:

"Doing climate-friendly sourcing can be expensive unless the rules apply to everyone, the companies that do try to go all the way may not survive."

Duraku (T) emphasized the increasing external pressures of investors, B2B customers, and regulators, who are all calling for more effective climate action. She said that when the three stakeholder groups concur in their expectations, companies like Telia are compelled to move more rapidly and firmly. For this reason, ESG ceased not to be a mere legal compliance issue, it is no longer a reactive tactical measure in response to evolving market expectations and reputational threats. In this context, environmental performance is included in the competitive landscape, and the incorporation of ESG in business processes is not only a moral imperative, but rather a sound business decision.

Aspect	Telia	Ericsson
Investor pressure	High; ESG metrics key in finance decisions	Moderate; less investor focus, more emphasis on B2B buyer trust
Customer pressure	Especially from large institutional clients	Clients request low-emission tech; focus on cost-performance balance
Supplier alignment challenges	Emissions targets not fully cascaded; 11% of suppliers aligned	ESG education needed; power asymmetry with major global suppliers
Public legitimacy tactics	Transparency via reports, bonds, certifications	Policy advocacy, public partnerships, less reporting transparency

Table 8: Stakeholder Influence and Legitimacy

Dimension	Telia	Ericsson
Core ESG Strategy	Finance-led integration of ESG into corporate governance and capital structure	Product- and technology-driven integration through energy-efficient innovation
Organizational Structure	Centralized: ESG merged into financial planning and controlling functions	Decentralized: ESG responsibility distributed across business units
Use of Financial Instruments	Extensive: Green bonds, sustainability-linked loans tied to ESG KPIs	Focuses on internal R&D and operational efficiency
Legitimacy Focus	Strong emphasis on external legitimacy via transparent ESG disclosures and greenium gains	Emphasis on pragmatic and moral legitimacy through enabling client decarbonization (Scope 4)
B2B Sustainability Role	Tailored ESG offerings for clients; seen as both requirement and opportunity	Emphasizes enabling client emission reductions via network solutions and lifecycle assessments
Reporting & Regulation (CSRD)	Early compliance with CSRD; reports 650+ ESG indicators; strong internal training program	Critical of regulatory overload and contradictory policies; strategic lobbying for digital focus
Innovation Focus	Highlights need for innovation in lifecycle emissions; some gaps identified	Strong focus on product-level innovation (e.g., sleep-mode tech, LEED factories)
Long-Term Vision	Sustainability integrated into scenario planning and financial strategy	Sustainability aligned with long-term product differentiation and policy influence

Table 9. Summary of Findings

5.0 Discussion

This chapter interprets the findings presented in Chapter 4, where Telia and Ericsson were shown to pursue ESG integration through notably different internal strategies. Telia adopts a finance-led, centralized approach emphasizing investor alignment and structured reporting, while Ericsson relies on a decentralized, innovation-focused model centered on energy-efficient technology and policy engagement. These findings revealed not only firm-specific variations but also internal differences across roles, highlighting ESG integration as a complex and dynamic process. The following sections use Institutional Logics and Legitimacy Theory to explain how these patterns reflect broader strategic responses to the European Green Deal.

5.1 Embedding Sustainability into Financial Strategy

According to the findings, Telia and Ericsson are both making a concerted effort to balance their green transformation with financial performance. Different internal strategies are used to maintain

this balance, and both firms demonstrate an understanding of the strategic and financial ramifications of sustainability.

Telia's strategy demonstrates how sustainability factors are clearly embedded into its financial decision-making, especially within its treasury operations. Interviews revealed that the organization regards cost-effectiveness and risk management as being directly tied to ESG priorities. Sustainability is integrated into project evaluations rather than treated as a separate concern.

The internal integration of sustainability into Telia's financial planning processes, including the use of ESG-linked loans and green bonds, demonstrates how Telia embeds environmental priorities into core financial mechanisms (Besharov & Smith, 2014). This supports findings from previous research which argue that sustainability can function as a source of cost savings and risk mitigation (Pham et al., 2021).This also supports cognitive legitimacy (Suchman, 1995), as Telia's structure positions ESG not just as strategic but as a taken-for-granted part of responsible business practice. However, this research goes further by showing that sustainability is not merely tolerated by financial departments, it is actively co-owned. This is supported by both internal insights from Telia's treasury function and evidence in the 2023 Annual Report, indicating strong triangulation. While earlier literature suggested firms often compartmentalize sustainability (Rezaee, 2017), this research finds evidence of strategic integration.

This integration is particularly evident in how the company uses financial mechanisms to promote environmental progress and influence internal behavior. By linking interest rates and capital structures to ESG KPIs, Telia reinforces both financial discipline and sustainability advancement. It also aligns with Legitimacy Theory (Suchman, 1995), as Telia actively cultivates pragmatic and moral legitimacy among investors and regulators by linking performance-based sustainability targets to financing terms. This strategic alignment not only reassures stakeholders but strengthens Telia's position as a trustworthy actor in the ESG landscape.

Ericsson similarly demonstrates a strong commitment to aligning sustainability with financial performance. The company approaches ESG from an economic and operational efficiency standpoint, positioning sustainability as a way to streamline operations and reduce energy costs. Ericsson's decarbonization objectives are embedded into its product development, particularly through energy-efficient 5G networks. Daniel Paska (E) highlighted that features like network sleep modes and energy optimization software significantly reduce power consumption, making

sustainability both an operational improvement and a strategic advantage, particularly in markets with high energy costs or carbon intensity.

These findings offer valuable empirical evidence for how a major telecom company translates high-level EU policy (EGD) into concrete financial and operational strategies. They directly inform the subsequent discussion of how profitability and sustainability can be aligned through institutional and legitimacy-driven approaches.

A core tension identified in both cases is the conflict between short-term financial constraints and long-term ESG goals. While sustainability offers strategic and financial benefits over time, it often demands substantial upfront investments in infrastructure, staffing, and compliance. Ericsson's frustrations with unclear legislation, alongside Telia's resource-heavy CSRD implementation, show how ESG can disrupt operations and investment flows. This is also shown in Legitimacy Theory (Suchman, 1995), highlighting the need for firms to not only act sustainably but also be seen as credible and capable in doing so, balancing symbolic legitimacy with practical feasibility.

Overall, the findings demonstrate that Telia and Ericsson do not view sustainability as a constraint, but as an essential component of their financial and strategic models. Both firms adopt proactive approaches that align profitability with environmental goals. While short-term and long-term priorities may at times conflict, the companies have developed internal processes and frameworks that enable sustainable profitability in the context of the European Green Deal.

5.2 Institutional Logics and Strategic Legitimacy Responses

This research set out to explore how European telecom firms balance sustainability goals with financial performance under the regulatory framework of the European Green Deal (EGD). A key insight from both interviews and secondary data was the influence of institutional and legitimacy pressures on corporate decision-making. These forces shape not only how companies like Telia and Ericsson comply with ESG mandates but also how they proactively build trust, create strategic advantage, and reconfigure their internal structures to accommodate long-term sustainability ambitions.

Legitimacy theory (Suchman, 1995) helps explain how companies seek to align their behaviors with stakeholder expectations to maintain a license to operate. Across all empirical inputs, it

became evident that ESG initiatives at Telia and Ericsson are no longer symbolic add-ons. Instead, they are strategic mechanisms to maintain legitimacy in a business landscape increasingly shaped by investor scrutiny, regulatory oversight, and customer awareness. Mats Nelson (T) explained that Telia's green bond framework serves not only as a financial instrument but also as a tool to strengthen the company's reputation. He noted that investors themselves face regulatory and stakeholder pressure, making visible ESG commitments increasingly important for credibility. This reinforces Bitektine and Haack's (2015) view that legitimacy today is not passively conferred but actively constructed through deliberate signaling activities such as green financing, ESG reporting, and sustainability-linked KPIs.

Similarly, Hanna Duraku (T) emphasized the importance of internal legitimacy. Her account of Telia's internal education campaigns and goal cascading strategies underlines how ESG legitimacy is pursued not only externally but also within the organization. She indicated that nearly all employees now recognize their responsibilities in the sustainability process, reflecting how ESG principles are becoming deeply embedded in Telia's organizational culture.

Duraku (T) emphasized that the business and the ESG need to be combined, not separate initiatives. Her perspective illustrates the hybridization of logics, as Telia blends commercial value creation with environmental accountability (Pache & Santos, 2013). It also supports legitimacy-seeking behavior by embedding sustainability into all operational layers reinforcing moral legitimacy with employees, customers, and regulators. There is not a choice, in the eyes of Telia, between profitability and environmental responsibility, but rather a set of two goals that need to be pursued in tandem. Duraku (T) referred to Telia's newly released transition plan, in which it defines how it will achieve its target of reducing emissions by the year 2030. It's a telling observation that one of the insights of the plan is that there is a huge "innovation and development gap" in the sense that Telia still does not possess many of the technologies and solutions it will need, and in particular those related to the emissions generated along the entire product life cycle. This gap is a general difficulty of the telecoms sector as a whole.

Institutional logics theory (Thornton et al., 2012) provides further explanatory depth. In the past, financial and sustainability logics may have functioned in isolation. Today, however, companies must synthesize them. At Telia, this synthesis is exemplified by the organizational integration of the sustainability function into the financial planning and controlling department.

According to Institutional Logics theory, such structural changes mark a deeper internalization of competing values into corporate routines (Besharov & Smith, 2014). Long-term EU climate targets (e.g. 2030 and 2050) are now part of Telia's scenario planning and financial projections.

Nelson (T) emphasized that ESG and financial planning must be fully integrated, reinforcing the depth to which sustainability now shapes Telia's strategic and financial operations. The bond supports investments in areas like energy efficiency and digital sustainability, helping Telia merge market logic with regulatory expectations under the EGD (Thornton & Ocasio, 2008). The goal pursued by Telia, according to Nelson (T), is not only to lower its own environmental impact but also to help customers reduce emissions by offering smart services that improve building efficiency and public transport systems.

Likewise, Ericsson's sustainability efforts are integrated into product development and supply chain decisions, particularly in the development of energy-efficient 5G technologies. This signals a hybridization of logics, whereby environmental goals are not in competition with financial outcomes but interwoven with them.

These differences also reflect how each firm navigates competing institutional logics. Telia's centralized model suggests a dominant market logic, where sustainability is tightly linked to financial performance and investor accountability. This logic prioritizes structure, predictability, and measurable KPIs. Ericsson, by contrast, displays stronger elements of a professional or technical logic, where innovation, decentralization, and internal expertise shape decision-making. This explains why ESG at Ericsson is embedded in engineering, sourcing, and product teams rather than in central finance. These logics explain why ESG takes different forms across firms (Thornton et al., 2012).

Still, the interviews revealed that this integration is not without friction. Rehbinder noted that many companies have set ambitious net-zero targets but currently lack the technological capabilities and cross-sector collaboration needed to realize them, resulting in a clear innovation and development gap. Telia's strategy of embedding ESG responsibilities within existing roles (rather than creating a standalone department) represents a pragmatic compromise. Yet, as Rehbinder noted, this can create capacity challenges and ambiguity in role expectations, especially in departments like IT or sales that may lack prior sustainability experience.

Rehbinder explained that telecom companies closely observe and replicate each other's ESG initiatives; for example, when one firm introduces a supplier engagement program, others often

adopt similar measures soon after. This peer mimicry creates a form of sector-wide benchmarking where firms seek legitimacy not just from regulators or customers.

From a legitimacy perspective (Suchman, 1995), firms imitate peers to maintain moral and cognitive legitimacy aligning themselves with what is perceived as acceptable and credible within the industry. If one company adopts a supplier engagement model and receives recognition, others may follow to avoid being seen as lagging. Institutional Logics theory (Thornton et al., 2012) further suggests that shared industry norms guide corporate behavior; when ESG engagement becomes a dominant logic in the sector, replication reflects an effort to align with these evolving expectations and sustain organizational legitimacy.

Paska (E) also emphasized the regulatory complexity under the EGD, citing 70 to 80 separate legislative acts and noting that many were contradictory, which made implementation costly and confusing. His reflections illustrate how firms like Ericsson engage in lobbying and policy influence not only to comply, but also to shape the regulatory context, demonstrating a form of strategic legitimacy construction. Telia's leadership in delivering its first CSRD-compliant report a year ahead of the deadline can likewise be seen as an attempt to stay ahead of the legitimacy curve and influence peer expectations. While both Ericsson and Telia are committed to sustainability and align their core strategies with long-term environmental goals, they demonstrate distinct interpretations of the European Green Deal (EGD). Ericsson emphasizes the regulatory complexity and operational challenges arising from overlapping policies, while Telia integrates EGD compliance into its investor relations and financial instruments. These differences reflect the Institutional Logics perspective, highlighting how shared regulations are interpreted through the lens of each firm's internal capabilities, strategic priorities, and organizational culture.

Andrea Fornara's insights reveal how Ericsson's ESG approach is shaped by hybrid institutional logics. Fornara (E) described initiatives such as shifting to recycled aluminum that meet both environmental goals and cost-saving objectives. These decisions require coordination with R&D, reinforcing the idea that sustainability cannot be pursued in operational silos. This supports the Institutional Logics perspective (Thornton et al., 2012), showing how firms blend market and sustainability logics when responding to regulatory expectations like the EGD.

He explained that many suppliers are engaged through dialogue and education rather than hard compliance enforcement, a dynamic aligning with Pache and Santos' (2010) concept of selective

coupling. Ericsson prioritizes alignment through influence and mutual understanding, especially in regions with weaker ESG cultures.

Both Telia and Ericsson also experience normative pressure from their B2B customers, especially those with strict procurement standards or internal climate targets. As indicated in the interview with Magnus Lindwall (T), clients increasingly demand ESG transparency from suppliers. For telecoms, where customer relationships are long-term and involve complex systems integration, ESG compliance is becoming a deal-breaker rather than a nice-to-have. This reflects the pursuit of normative legitimacy (Suchman, 1995), where firms must align with evolving stakeholder expectations not because of formal regulation, but due to changing professional and sectoral norms.

This illustrates a shift in the dominant institutional logic within B2B markets, where ESG is now embedded in commercial negotiation not just risk management indicating a transformation of sectoral expectations (Thornton et al., 2012). It highlights a new institutional logic where sustainability becomes part of value negotiation in B2B relationships reshaping the competitive logic itself.

Institutional pressures are dynamic, not static. The EGD itself is evolving new directives such as CSRD and taxonomy regulations continue to raise the bar. Rehbinder critiqued current frameworks as being too focused on reporting, warning that firms may shift resources away from innovation towards compliance. This reflects ongoing tension between technical compliance and transformative change.

Finally, the insights gathered affirm that ESG and profitability are not mutually exclusive. Instead, legitimacy and institutional alignment create long-term business value. For example, Telia's greenium on bond issuances saved millions kronor annually, and its sustainability integration helped attract ESG-conscious investors. At the same time, Ericsson's integration of energy efficiency into its network offerings allows it to serve clients' climate goals while improving its own competitiveness. Internalized legitimacy acts as both a risk buffer and strategic asset.

The different ESG strategies adopted by Telia and Ericsson can be further understood by examining the types of legitimacy each firm appears to pursue. Telia's use of green bonds, sustainability-linked loans, and structured ESG reporting aligns with pragmatic legitimacy, as it appeals directly to investor expectations and financial market norms (Suchman, 1995). At the same time, its public commitment to CSRD compliance and internal training programs signals an effort

to build moral legitimacy by demonstrating ethical responsibility and alignment with regulatory values.

Ericsson, in contrast, appears to prioritize cognitive legitimacy. By embedding ESG into its core technologies and engaging in peer-driven benchmarking, Ericsson frames its sustainability actions as part of the natural evolution of telecom innovation. Its strategy suggests that decarbonization and digital infrastructure are not just desirable but inevitable for future competitiveness. This framing supports acceptance of its ESG approach as the sector norm.

5.3 ESG-Linked Financial Tools as Levers of Change

As outlined in section 5.1, financial tools like green bonds and ESG-linked loans are essential to Telia's ESG strategy. They serve not only as external signals to investors but also as internal levers that promote sustainability integration across departments. Far from being isolated financial tools, they reflect embedded institutional and stakeholder expectations.

The application of sustainability-related tools is especially stressed in the case of Telia. According to the interviewees, these tools have two purposes: they reinforce internal sustainability incentives and act as financial levers. One respondent, for example, explained how the design of these tools encourages various departments to look beyond conventional risk and return, promoting a more comprehensive assessment of environmental effect. In this manner, financial instruments are integrated into decision-making procedures that take long-term ESG factors into account in addition to cost.

Similar strategic reasoning may be seen in Ericsson's incorporation of sustainability into financial conversations, despite the company's less overt concentration on green bonds. Ericsson suggests a realistic linkage of business and environmental goals by linking environmental benefits to energy and cost reduction. This link illustrates how sustainability standards, even when not explicitly linked to particular instruments with labels, are increasingly influencing financial structures.

The results show a combination of both, with a noticeable focus on institutional logic, when examining whether stakeholder legitimacy or institutional expectations are the main drivers of these financial tools. Companies' use of these tools shows an internalized reaction to market and regulatory pressures, as they not only follow the rules but also use them to set up internal

governance and accountability systems. For instance, Telia's usage of green bonds is a proactive method to promote corporate advancement and connect financial strategy to sustainability KPIs rather than only reacting to outside pressure.

However, it is impossible to ignore stakeholder legitimacy. Both businesses understand how critical it is to keep up their credibility with the public, regulators, and investors. They strengthen their reputation as accountable and progressive players in the industry by implementing transparent and organized financial instruments. This supports the earlier legitimacy dynamics, where visible and traceable ESG mechanisms are used to strengthen stakeholder trust and signal long-term credibility

In conclusion, the examined organizations' strategic use of financial tools shows how finance is being used to operationalize business and environmental goals. These instruments are not employed separately; rather, they are a part of larger institutional procedures that represent stakeholder-driven legitimacy as well as institutional expectations. They thus serve as internal steering tools as well as outward signals in the companies' sustainability changes.

5.4 ESG Governance Structures and Cultural Change

The execution of the European Green Deal (EGD) has created deep organizational shifts within Telia and Ericsson. Such shifts are not only structural but are even more fundamentally related to culture, with a deepening embedding of sustainability within the day-to-day business operations and within strategic choices.

Among the more significant shifts at Telia is the merging of sustainability and finance teams. This integration reflects how ESG is being embedded into broader corporate planning. However, as Rehbinder warned, many companies overestimate this shift. While Telia may appear structurally integrated, its manual data systems reveal a disconnect between ambition and operational reality. This supports Hiller’s (2018) point that cultural change often lags behind structural reform. By linking the functions together, Telia embeds environmental and social considerations directly within financial plans to provide more integrated sustainability results within the organization.

Likewise, Ericsson has transformed its governance for sustainability performance by integrating ESG targets within its operational strategy. This comprises the development of cross-functional teams that tackle sustainability objectives spanning several business functions, from product development to supply chain. Such structural reform fosters cooperation within departments and

the firm's ability to respond to regulatory requirements such as the CSRD and encourages innovative change within. Paska (E) explained that Ericsson has decentralized its ESG responsibilities by transferring ownership to major business units, which now set their own targets and timelines. This supports the idea of shifting institutional logics internally, where ESG becomes embedded at the operational level, not managed top-down.

These shifts reflect the operational adoption of ESG goals, supporting the logic realignment discussed in 5.2. The taking up of new internal reporting frameworks, incentive schemes linked to ESG targets, and the innovative development of circular business strategies are all indicators of this new culture. Both firms have employed these levers not only in order to comply but also to generate value and credibility in stakeholders' eyes, as foregrounded by our interviewees. Outside of these two companies, the feasibility of such organisational structures is a function of firm size and resources, and pressure to meet regulatory requirements. Large companies with some level of established sustainability structures will be at the vanguard, and small or less-regulated companies will not be able to copy such arrangements without help. However, the experiences with Telia and Ericsson demonstrate that putting sustainability at the heart of corporate design is not just feasible but is actually a source of competitiveness. Organizational transformation under the EGD is therefore not uniform. While Telia integrates ESG into its financial control structure, Ericsson opts for decentralization. This divergence reflects a tension between top-down standardization and local responsiveness highlighting that institutional compliance does not dictate identical pathways. Instead, it invites strategic interpretation, shaped by each firm's logic, structure, and stakeholder environment.

Fornara (E) cautioned against ESG programs that devolve into bureaucracy, particularly for small and mid-sized firms. He emphasized that collecting data across areas such as power purchase agreements and component-level emissions can overwhelm company resources, often resulting in administrative burden rather than meaningful sustainability improvements. he warned. His concern supports Hiller's (2018) argument that structural compliance may outpace actual cultural transformation. It also reinforces Rehbinder's point that companies must balance ESG ambition with operational realism to avoid symbolic implementation.

Ericsson's decentralized ESG approach suggests that hybridization may be uneven across business units, challenging the idea of seamless strategic alignment. While decentralization enables responsiveness, it also risks inconsistency across business units. suggests that integration of sustainability goals varies across departments and may lead to fragmented ESG execution.

Together, these governance adaptations reflect not only structural realignment, but also deepen the hybridization of institutional logics outlined in Section 5.2 where ESG and financial priorities are no longer separate, but strategically fused within organizational culture.

5.5Addressing the Research Questions

This section revisits the two guiding research questions in light of the preceding analysis:

(1) To what extent do businesses balance sustainability goals and profitability when implementing the European Green Deal (EGD)?
(2) How do telecom businesses adopt sustainable practices under the EGD without compromising financial viability?

The empirical evidence confirms that both Telia and Ericsson demonstrate that balancing sustainability and profitability under the EGD is not only possible but increasingly strategic. However, their approaches differ in structure and focus.

In response to RQ1, Telia's use of financial instruments such as green bonds and sustainability-linked loans illustrates a model where ESG factors are embedded in the financial architecture of the organization. Telia's greenium savings and long-term investor appeal provide concrete evidence of how ESG initiatives can translate into direct financial gain. However, this model also demands significant upfront investment, strong internal structures, and regulatory foresight conditions that may not be replicable across all telecom firms, particularly businesses players.

Ericsson, on the other hand, aligns ESG and profitability through product-level innovation, focusing on energy-efficient 5G infrastructure and decarbonization tools that meet both environmental and market demands. The firm's ability to integrate ESG into product design and customer value creation highlights an alternative path to sustainable profitability, where innovation itself becomes a business driver rather than a cost burden.

In response to RQ2, the findings reveal that ESG adoption is contingent on internal structure and organizational logic. Telia's centralized governance model, which embeds ESG into financial planning and cascades targets through national business units, demonstrates how integration can support reporting accuracy and investor credibility. In contrast, Ericsson's decentralized model grants autonomy to business units, allowing for context-specific target setting and cross-functional

innovation. While this enhances responsiveness, it also introduces risks of inconsistency and fragmentation, a nuance often overlooked in ESG literature.

Moreover, both companies face external legitimacy pressures from regulators, investors, and increasingly, B2B clients. These pressures are uneven across firms, reflecting differing institutional logics and stakeholder expectations around procurement, transparency, and policy engagement. The way each company manages these tensions reveals different institutional logics at play. Telia tends to pre-empt regulation and emphasize external transparency; Ericsson adopts a more flexible approach focused on operational innovation and peer alignment.

These findings illustrate that ESG integration is not a single blueprint, but a spectrum of strategic adaptations shaped by firm size, structure, stakeholder environment, and internal capabilities. The analysis confirms that legitimacy and institutional alignment do not just enable ESG efforts they actively shape how sustainability is defined and operationalized. Companies are not just reacting to the EGD, but selectively interpreting and leveraging it to support broader competitive positioning. This dynamic interplay between institutional context, internal logic, and strategic goals is central to understanding the future of ESG implementation in the telecom sector.

Despite these strategic successes, the findings also revealed underlying contradictions that complicate ESG integration. Telia's centralized and resource-heavy model, while effective, may not be scalable to smaller firms. Ericsson's decentralized structure, though adaptable, risks inconsistent ESG implementation across business units. Both companies also face a deeper tension between regulatory compliance and innovation, especially under the complexity of EGD frameworks. These tensions illustrate that ESG adoption is not linear, but shaped by trade-offs between ambition, capacity, and institutional demands.

Interviewees revealed that internal realities often diverge from public ESG narratives. Fragmented systems and data issues support critiques by Simnett and Huggins (2015), who warn that ESG compliance may risk becoming symbolic rather than transformative.

Taken together, the findings suggest that Telia and Ericsson respond to the European Green Deal not only through different structures, but also through different institutional logics and legitimacy strategies. Telia primarily seeks pragmatic and moral legitimacy by aligning ESG with investor expectations and regulatory compliance, reflecting a finance-driven, market-oriented logic. Ericsson, by contrast, leans more toward cognitive legitimacy and a professional logic, positioning sustainability as a natural extension of technical innovation and sectoral evolution. These

underlying differences help explain why the two companies interpret and implement ESG in such distinct ways.

5.7 Limitations and Directions for Future Research

The study gives insights about telecom companies, but future research needs to recognize the present limitations and consider ways to address them. This research depends primarily on the perspectives of Telia and Ericsson, as it conducted interviews with only these two large Nordic organizations. Large telecom companies possess strong sustainability systems and implement ESG integration early, which means their strategies may differ from standard telecom practices, particularly in terms of regulatory contexts and market variations. The findings should be used carefully, as they may not extend to the broader telecom industry. Future studies should expand the sample by including mid-sized or non-European telecom firms to investigate whether similar patterns emerge across different organizational sizes and geographies.

Secondly, the findings reflect the perspectives of selected individuals in finance and sustainability roles. While we interviewed both internal and external expert, the number of participants per company was limited, and perspectives from departments such as sales, marketing, or technical development were not captured. This might have led to a partial view of how ESG strategies are implemented across all functions. The respondents displayed professional expertise, yet their responses might have been biased, knowing that their contributions would appear in academic research. Some participants may have emphasized best practices while overlooking internal challenges or conflicts.

A further limitation stems from the language and interpretation of the interviews. The transcription process, along with translation, introduced possible difficulties in accurately interpreting technical and strategic content when interviews were conducted in two languages. Although participants reviewed the summaries afterward, some misinterpretation of tone or meaning might still have occurred.

There is also a risk that the data collection period, taking place in early 2025, captures a transitional phase in which companies are still adjusting to the evolving demands of the European Green Deal and the implementation of CSRD. Therefore, some of the challenges identified such as reporting overload, innovation gaps, or internal misalignment may be temporary rather than structural.

Longitudinal research could help track how these dynamics develop over time during different phases of ESG implementation. Future research could also consider alternative theoretical frameworks, such as Resource-Based View or Stakeholder Theory, to broaden the foundation and explore the strategic and competitive aspects of ESG integration.

It would also be valuable to conduct cross-sector comparisons to assess whether telecom companies face unique institutional pressures or if similar patterns are found in adjacent industries like IT, energy, or transportation. Another area worth exploring is internal ESG education and employee engagement issues that were briefly mentioned by participants but not analyzed in depth. Understanding how internal alignment affects outcomes could provide further insight into the long-term success of sustainability strategy.

6.0 Conclusion

6.1 Contributions to Theory

This research contributes to theoretical understanding by applying Legitimacy Theory and Institutional Logics to explain how telecom firms align ESG with financial performance. It illustrates how Telia pursues pragmatic and moral legitimacy through finance-driven tools like green bonds and ESG-linked loans, while Ericsson leans toward cognitive legitimacy by embedding sustainability into technical operations. The thesis also shows how firms navigate and hybridize competing institutional logics, particularly tensions between market logics (e.g., investor demands) and professional/technical logics (e.g., innovation and decentralization). These dynamics shape both structural responses to the EGD and internal governance and culture. By grounding findings in two major frameworks, the study explains not just what firms do, but why their strategies diverge. It supports prior research suggesting ESG and profitability can align (Pham et al., 2021), and affirms Legitimacy Theory's view of firms as active legitimacy-seekers (Suchman, 1995), while extending it by showing how legitimacy efforts vary across roles and how institutional logics often conflict in practice.

6.2 Contributions to Practice

For practitioners, the findings show that ESG integration is not one-size-fits-all. Telecom firms can successfully embed sustainability into business models, but only when ESG is aligned with their internal capabilities and dominant logic. Telia's centralized, finance-led model emphasizes

control and investor signaling, while Ericsson's decentralized model promotes innovation and peer alignment.

The study highlights practical tensions such as resource strain from CSRD reporting, the need for clearer supplier engagement, and inconsistencies in how ESG is implemented across departments. Managers in highly regulated industries may learn from Telia's structured financial approach or Ericsson's technology-driven integration depending on their strategic priorities and maturity level. Ultimately, ESG and profitability are not inherently at odds, but require deliberate coordination, incentives, and communication across the organization.

6.3 Future Research

While this thesis focuses on two large Nordic firms, future research should explore how small and mid-sized telecom firms respond to the European Green Deal, where resource limitations and internal capacity may constrain ESG implementation. Comparative studies outside the Nordic region could help validate whether the models found here are generalizable or context-specific.

Further investigation is also needed into supplier-level ESG enforcement, cross-sector benchmarking, and the long-term impacts of evolving EU regulations. Future studies could also expand on the role of internal organizational culture, professional norms, and ESG education in shaping implementation success.

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Appendix

Appendix 1 interview questions Mats Nelson

1. How has the European Green Deal specifically influenced Telia's investment decisions or financial planning?

2. What role do green bonds or sustainability-linked financing play in Telia's long-term strategy?

3. Have you seen any measurable changes in profitability or ROI from sustainability-focused investments since 2019? if so what are those changes?

4. How does Telias ESG efforts impact stakeholders or investors and how does it affect the financial impact.
5. From your perspective do you believe ESG initiatives are rewarding from a profit maximizing perspective?

6. Does Telia factor regulatory timelines (e.g., 2030 or 2050 EU targets) into its financial scenario planning? if so how? if not what is the reasoning behind not doing it?

Appendix 2 interview questions Hanna Duraku

1. How does Telia ensure that climate and environmental targets are implemented across all business units?

2. Which aspects of the European Green Deal have been most challenging to implement on an operational level?

3. Which internal tools, dashboards, or KPIs used to track Telia's climate transition progress?

4. How has Telia experienced trade-offs between climate goals and other strategic priorities like digital expansion?

5. What kind of internal adjustments (e.g., systems, training, or reporting processes) have been necessary to meet EU climate policy expectations?

Appendix 3 Interview questions Daniel Paska

1. Hur har European Green Deal påverkat Ericssons övergripande hållbarhetspolicy och prioriteringar sedan 2019?

2. Hur arbetar Ericsson med att integrera hållbarhetskrav från EU-lagstiftning i sina kommersiella beslut och affärsmodeller?

3. Vilka är de största praktiska utmaningarna Ericsson möter i att kombinera hållbarhetsmål med affärsintressen.

4. Hur hanterar Ericsson externa påtryckningar från investerare, B2B-kunder och regulatorer när det gäller hållbarhet och ESG-prestanda?

5. I vilken utsträckning ser du hållbarhetsarbetet som en konkurrensfördel snarare än bara ett krav från lagstiftning och kunder?

Appendix 4 Interview question louise rehbinder

1. Vilka utmaningar ser du att företag generellt möter när det gäller att kombinera hållbarhetsmål med lönsamhet?

2. Vilka drivkrafter ser du idag för klimatåtgärder – är det främst lagstiftning, investerare, kunder eller andra faktorer?

3. Har du exempel på goda arbetssätt eller initiativ som lyckats skapa både klimatnytta och ekonomiskt värde?

4. Vilka faktorer tycker du avgör om ett företags hållbarhetsarbete verkligen gör skillnad – snarare än bara blir en policy på papper?

5. Många företag säger att hållbarhet och lönsamhet går hand i hand – håller du med? Finns det situationer där det faktiskt krockar?

6. Tycker du att European Green Deal har gett tillräcklig fart i företagsklimatstrategier, eller behövs mer press/stöd?

Appendix 5 Interview question Andrea Forfana

1. How does Ericssons sourcing strategy contribute to both cost-efficiency and sustainability goals?

2. Has Ericsson encountered trade-offs between enforcing ESG standards in its global supply chain and maintaining supplier relationships or cost controls?

3. How does Ericsson measure sustainability performance across suppliers, and how is that data integrated into internal decision-making?

4. Have rising ESG requirements ever slowed down supplier onboarding or caused Ericsson to disqualify a supplier?

5. From your position in global operations, do you see ESG sourcing requirements as scalable for smaller firms in the industry, or are they primarily achievable by large players like Ericsson?

Appendix 6 Interview question Magnus Lindwall

1. How have Telia's B2B customers' expectations around sustainability changed since 2019?

2. How do sustainability requirements from corporate clients shape how you build B2B offerings today?

3. Are there any industry-specific challenges in implementing sustainability practices for B2B clients? If so, what are those?

4. Can you give an example of how sustainability strategy has affected a commercial decision or customer relationship?

5. How is Telia positioning itself in the market to balance sustainability compliance with maintaining profitability?

Appendix 7: Coding

Quote	Speaker	Code	Category	Theme
The EGD hasn't really changed the concrete work. Our main goals were already in place, aligned with the Paris Agreement.	Daniel Paska	Pre-existing climate alignment	Regulatory challenges	Regulatory Adaptation under the European Green Deal
There was too much legislation, and much of it was contradictory. That's what caused implementation costs to spike.	Daniel Paska	Overregulation challenges	Regulatory challenges	Regulatory Adaptation under the European Green Deal
Some firms have closed their sustainability departments just to focus on CSRD reporting. That's a step backward, unless sustainability has already been thoroughly and successfully integrated into other relev	Louise Rehbinder	Trade-off between compliance and innovation	Regulatory challenges	Regulatory Adaptation under the European Green Deal
When there are enormous reporting requirements, like with CSRD for example, you have to ask, was there really a clear understanding of what impact this would have on companies?	Louise Rehbinder	Unintended reporting consequences	Regulatory challenges	Regulatory Adaptation under the European Green Deal
manual and dumb	Hanna Duraku	Inefficient data collection	Regulatory challenges	Regulatory Adaptation under the European Green Deal
There is a significant disconnect between those who write policy and those who are expected to execute it	Daniel Paska	Policy-practice misalignment	Regulatory challenges	Regulatory Adaptation under the European Green Deal
It can't be two separate teams anymore. Financial planning and sustainability must sit together only then is it real	Nelson	Integrated planning	Internal alignment & accountability	Top-down Steering and Accountability
every CEO of the markets like Sweden, Finland, Norway, Estonia, Latvia, Lithuania, the CEO is having the same targets broken down from the group sustainability level	Hanna Duraku	Cascaded targets	Internal alignment & accountability	Top-down Steering and Accountability
Local business areas set their own goals and timelines	Nelson	Decentralized implementation	Internal alignment & accountability	Top-down Steering and Accountability
go really, really down	Hanna Duraku	Deep operational anchoring	Internal alignment & accountability	Top-down Steering and Accountability
CSRD and green deal are the most loved and most hated topics, but everybody is aware of them, not 100% but lets say 95% of employees know because they need to report	Hanna Duraku	Organizational awareness	Internal alignment & accountability	Top-down Steering and Accountability
Many companies set ambitious net-zero goals, but few fully understand what it will take to reach them. Especially in hardware-focused industries, companies are beginning to realize they're falling short.	Louise Rehbinder	Gap between ambition and readiness	Internal alignment & accountability	Top-down Steering and Accountability
Fiber and 5G are expensive, but they consume less energy and improve efficiency. We didn't invest in them only to be greener—it's a mix: customer demand, cost-efficiency, and sustainability	Nelson	Multi-purpose investment	Commercial sustainability	Sustainability as Business Strategy
It has to make business sense. We're not making dumb financial decisions. But if you can educate your customers, show them how your products support sustainability you can grow sales. That's a win-win.	Nelson	Customer-driven ESG value	Commercial sustainability	Sustainability as Business Strategy
Companies should ask themselves: which products deserve to exist in a net-zero economy, and which don't? That kind of thinking is still missing.	Louise Rehbinder	Portfolio-based climate strategy	Commercial sustainability	Sustainability as Business Strategy
We need to start asking: beyond emissions cuts, how can companies create maximum climate benefit through their core services? That's where real impact lies.	Louise Rehbinder	Beyond reductionism	Commercial sustainability	Sustainability as Business Strategy
That might not sound like much, but on €500 million, it's several million kronos saved per year	Nelson	Greenium effect	External pressure	Stakeholder Pressure and Legitimacy
Investors are under pressure too from regulators and their own stakeholders. They want to see that we're serious. And having green bonds, sustainability-linked loans, ESG ratings that helps build trust	Nelson	Investor signaling	External pressure	Stakeholder Pressure and Legitimacy
Telecom companies benchmark constantly. When one company adopts a climate initiative, others quickly follow. It's a form of positive competition.	Louise Rehbinder	Peer influence	External pressure	Stakeholder Pressure and Legitimacy
Doing climate-friendly sourcing can be expensive unless the rules apply to everyone, the companies that do try to go all the way may not survive.	Louise Rehbinder	Uneven regulation risk	External pressure	Stakeholder Pressure and Legitimacy