

Master's thesis

*Managing paradoxes in difficult times:
Risk and opportunity for ESG*

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(G.J.) Rick Roolvink, s1508105
Master Risk Management, MRM 11
Professional Learning & Development
Faculty Behavioural, Management &
Social Sciences
University of Twente

*Managing paradoxes in difficult times:
Risk and opportunity for ESG*

Master's thesis Risk Management

**(G.J.) Rick Roolvink
S1508105**

Thales Nederland B.V.
Zuidelijke Havenweg 40
7554 RR Hengelo

Marie-Cecile Stutvoet

University of Twente
Drienerlolaan 5
7522 NB Enschede

1st reader: ir. E.J. Sempel
2nd reader: Dr. ir. M. van Staveren MBA

This is the public version of the master's thesis. Parts of this thesis have been deleted to guarantee confidentiality and safeguard sensitive information for the organisation.

Preface

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Abstract

The aim is to analyse the issue of how the organisation can keep ESG on the agenda within a context when an organisation is facing multiple challenges, resulting in a focus on short-term commercial objectives. In parallel, ESG objectives are important for the company causing a conflict when the latter does not benefit the short-term objectives. The objective of this study is to explore how ESG objectives can be achieved while the short-term, commercial, objectives needs to be achieved as well. This will help the organisation to increase awareness on how to balance multiple objectives. As a result, the study provides an approach on how to deal with the dilemma of conflicting objectives. The research is a cross-sectional and ex post facto study. The Dynamic Equilibrium Model was used as main model in this thesis. Based a qualitative research with 17 semi-structured interviews it was explored how an organisation can achieve its ESG objectives whilst the short-term commercial objectives need to be achieved as well. Recorded audio fragments were transcribed and subsequently coded for analysis purposes. The results show the importance of ESG for the organisation and a potential conflict between the short-term objectives and the long-term objectives. This conflict holds opportunities for the workforce as employees find it of increasing importance, but can bring risks as it can increase the workload. An approach is proposed to use an integrated approach by using a Roadmap to bring clarity and communicate the organisations strategy and commitments. Future research might have more focus on motivational factors, how the Dynamic Equilibrium Model take unpredictable events into account or how the model relates to Risk Leadership and/or - Management. Limitations are discussed such as the limitation of the dynamic and rapid evolutions regarding the subject of ESG in- and outside of the organisation and the difficulty of gaining conceptual clarity while applying the model in practice. Ultimately, the managerial and academic contribution is discussed as this thesis extents academic literature addressing paradox management related to corporate sustainability in the Defence Sector in the Netherlands and a proposed approach based on a variety of perspectives from the organisation including an outside perspective on an approach of other high-tech organisations.

1. Introduction

Within a context of increasing expectation regarding sustainable corporations, Environmental Social & Governance is getting more and more attention (O'Neill, n.d.). ESG oriented investments are increasing (Henisz et al., 2019) and legislation like the CSRD forces organisations to take sustainability and a broader view on stakeholder expectations into account. In the Netherlands, the new Corporate Governance Code 2023 also includes significant changes with themes such as sustainability and diversity taking centre stage (de Jong, 2023). On the other hand, responsible employment, transparency and a good performance regarding ESG may offer opportunities for attracting new talent, customers and future investors.

While the importance of ESG seems to be increasing, it can also be seen as a mandatory development to be carried out alongside the core business. But when an organisation is dealing with a high order intake and substantial internal challenges, to what extent does ESG actually get the proper attention? And does it get in the way of performance, or might it offer opportunities for the performance?

1.1 Context

Thales Nederland B.V. (hereafter, the organisation) has a strong increase of its order intake and sales. Throughout the years, the organisation didn't adapt properly to the new situation. As a result, the organisation is having ***text deleted for public version***. This means that there is a lot of work, but without a proper amount of employees to deal with the workload, the decision making process is slow and collaboration processes that doesn't fit its purpose. When milestones won't be delivered in time, there is a risk of penalties from customers. ***text deleted for public version***. In short, the organisation is under pressure.

Yet, there is an increasing interest for being a responsible company and ESG related topics. European Directives regarding sustainability (non-financial reporting) is developing and shareholders expectations are increasingly related to social and sustainable components. The parent company integrated a specific ESG department with a Chief Sustainability Officer directly reporting to a member in the Executive Committee.

Because of the current context for the organisation (being under pressure), it seems as if the focus on ESG is the first topic which might disappear from the agenda. This raised the question whether this is justified, or whether it means that short-term thinking is too much of a guiding principle within the organisation. How can the organisation continue to keep looking forward and maintain its focus on ESG?

1.2 Purpose

The aim is to analyse the issue of how the organisation can keep ESG on the agenda within the current context. In this context the organisation faces multiple challenges such as meeting delivery obligations and employee shortages. As a result, other (short-term) priorities take precedence. More specific: commercial objectives as

delivering to customers on quality, on time and on budget. Being a responsible organisation and performing well on ESG brings its own objectives. These objectives – the commercial and the ESG objectives – might be in conflict when the latter does not directly benefit the short-term, commercial objectives. As both objectives are of importance for the organisation, this contradictory is causing a dilemma. As a result, risks for the objectives might arise when one of the topics isn't managed well. This raises questions within the organisation as: What are valid reasons for sticking to ESG despite ongoing short-term challenges? How can ESG contribute to the short-term challenges? In other words, is focusing on ESG increasing the pressure in the organisation, or can focusing on ESG positively contribute now the organisation is under pressure. The objective of this study is to explore how ESG objectives can be achieved while the short-term, commercial, objectives needs to be achieved as well. This will help the organisation to increase awareness on how to balance multiple objectives. As a result, the study provides an approach on how to deal with the dilemma of conflicting objectives.

1.3 Research Questions

1.3.1 Main question

The main question is derived from the current context with the focus on short-term, commercial, objectives and how to balance this with the focus on ESG objectives. The short-term perspective is coming from the current context, in which on time, on quality and within budget deliveries to customers are essential. On the other side, the organisation wants to be a responsible company and address ESG objectives. The main question should provide insights in an approach how ESG objectives can be achieved as well as the short-term commercial goals which have a high focus at the moment. As tension might arise between both aspects, this might cause a dilemma. This requires insights in how to cope with dilemmas in multiple and contradictory objectives. Consequently, the following main question has been drawn up.

How can an organisation achieve its ESG objectives whilst the short-term commercial objectives can be achieved as well?

1.3.2 Sub-questions

The theoretical framework (chapter 2) describes a first analysis regarding drivers and inhibitors for an organisation to focus on ESG and a framework on how to deal with opposing objectives. Based on the problem context and the theoretical framework, the following sub-questions are proposed to answer the main question:

1. *What dilemmas does the organisation face in achieving ESG objectives and Commercial objectives in the current context?*
 - a. *Why is it important for the business to implement ESG objectives?*
 - b. *Why is it difficult to balance ESG objectives and Commercial objectives?*
 - c. *What conflicts can be identified from dealing with ESG and Commercial Objectives?*

d. *What risks and opportunities derive from these conflicts for the organisation?*

2. *How can an organisation find the right balance for both of the objectives?*

1.3.3 Rationale of sub-questions

Sub-question 1

The current context indicates the situation for the organisation that they are facing multiple challenges, such as meeting delivery obligations and ***text deleted for public version*** As a consequence, there is a risk ***text deleted for public version***, frustrations amongst personnel might increase and talents might leave the organisation (ThalesNL, n.d.). This context brings a strong focus on the short-term, commercial objectives as delivering on quality, - on time and customer satisfaction. Meanwhile, ESG is becoming increasingly important for the organisation and objectives has to be met as well. When these objectives are conflicting each other, a dilemma will occur.

Both objectives are important for the organisation. ESG objectives needs to be addressed for example because of shareholder expectations and because the organisation wants to be a responsible company. Commercial objectives need to be addressed because of customer trust and to focus on time, on quality and on cost delivery. Dealing with multiple objectives might lead to a complex situation of tensions and conflict. In this research, how to deal with this complex situation is seen as a dilemma. Because the conflicts between objectives might create a certain dilemma it's important to identify which dilemma's these different objectives- between commercial and ESG- can bring. Insights in the dilemma, why it's difficult but also why it's important can contribute to an approach on how to deal with the dilemma (1a and 1b). In a dilemma, the tension might cause risks and opportunities for the objectives. Yet, to deal with both kind of objectives, driving or inhibiting factors might bring possibilities for synergy of information and decision making. Drivers can excel or improve objectives whilst inhibitors might hinder the objectives. As the purpose of the study is to come with an approach on how to deal with both kind of objectives, a sharp identification of the dilemma, including underlying factors as related tensions, risks and opportunities, is necessary (1c and 1d).

In summary, the main aspects for this sub-question are: *Drivers of ESG for the organisation. Inhibitors of ESG for the organisation. Risks of ESG for the organisation. Opportunities of ESG for the organisation. Dilemmas between objectives, coming from tensions, conflicts and/or paradoxes/polarities.*

Sub-question 2

The dilemmas identified in the first sub-question, creates a certain complexity in the organisation as it brings uncertainties and choices between two topics of importance. The organisation has multiple objectives to consider in day-to-day activities of which some have a long-term orientation and the other a short-term orientation. This requires proper commitment as well as sharp choices between what is necessary, what is nice

to have, what to do, but also what not to do. This sub-question focuses on an approach how to balance several objectives and more specific, potential opposing objectives. This could help to ensure that an organisation is able to maintain attention to ESG over the long-term, even in turbulent times that may occur in the future. The right level refers to appropriate to the organisations stated ambitions and goals. Based on this rationale and the theoretical framework described in chapter 2, the main aspects for this sub-question are: *Proactive strategy to manage paradoxes, Defensive strategy to manage paradoxes, expected outcomes, approach to deal with polarities, characteristics of leadership for dealing with polarities.*

1.4 Background

Commercial objectives

As described above, the current context refers to the organisation under pressure. Amongst other, the most critical organisational ****text deleted for public version**** As a consequence, this increases the business risk and it prevents the organisation from moving forward. Therefore, the organisation must ****text deleted for public version**** and build an organisation that support the employees to focus on deliveries as main commercial objective: on time, on cost and on quality (ThalesNL, n.d.).

Corporate Sustainability

Environment, Social and Governance are three elements that improve corporate social responsibility (CSR) efforts and increase its impact. Here, the Environmental element deals with issues such as energy consumption, waste and CO₂ emissions (Toxopeus & Sarmiento, 2023). The Social element focuses on topics such as employment, diversity and how a company stands in society (Henisz et al., 2019). Finally, Governance addresses a company's internal system, controls and procedures for good and ethical business practices that comply with legislation and consider different stakeholders (Toxopeus & Sarmiento, 2023; Henisz et al., 2019). Measurable ESG factors provide an opportunity to systematically communicate and analyse CSR (Chevrollier et al., 2020).

Besides the growing importance of ESG from the social context, there is also criticism of the concept. From the premise that a company's *raison d'être* is to make as much money as possible, ESG can be seen as a distraction. It is good for reputation and a mean for taking advantage of higher motives of customers, investors or employees. It is not foundational to a company's strategy. It's an additional topic and occasional as one-time events. Another criticism is that it is too difficult for organisations to consider the interests of multiple stakeholders, beyond the technical requirements of environmental, social and governance components. The objectives are broader than financial objectives (concerning adding value to the company and shareholders), and solutions might need trade-offs between different stakeholders. An optimal choice is not clear. The availability of different methodologies makes it difficult to compare ESG performance among companies (Pérez et al., 2022).

The Thales Group emphasises that the concepts of ESG and CSR revolve around the impact a company has on society and the environment. However, the context differs. CSR refers to the conscious integration of social, societal and environmental aspects into business operations and stakeholder relations. ESG is a concept mainly used by investors to assess how responsible a company is.

The parent company has established commitments to CSR, namely (non-exhaustive):

- Being a responsible company. This is done by, among other things, focusing on a diverse composition of the Executive Board and executive management and having a separate ESG department report to the highest level in the organisation.
- Committed to protecting the environment through a Low Carbon Future strategy and working on innovative products that allow customers to reduce their greenhouse gas emissions.
- A social company by investing in developing talent, promoting a diverse and inclusive culture and providing a safe, high-quality working environment.

Corporate sustainability holds economic, social, and environmental goals in parallel to achieve overall social welfare (Luo et al., 2020). The starting point for the concept to be used in this thesis comes from the company's responsibility towards all stakeholders. As the purpose describes a focus on the possible effects in the current context within the company, responsibility practices in broader sense will be explored. Therefore, this thesis sees corporate sustainability as the responsibility an organisation has towards all stakeholders. CSR and ESG are practices to conceptualise this.

2. Theoretical framework

This chapter describes concepts and models which serve as theoretical fundament of this research. Theoretical concepts on how to deal with multiple objectives, paradoxes and productive tensions for change will be described. Aspects which drive and inhibit ESG or commercial objectives are described and integrated in a proposed model. The chapter will be finalised with a designed model based on the theoretical concepts and existing models. The methodology used for the literature reviews will be described in chapter 3.

2.1 Managing dilemmas

With long-term value creation becoming of increasing importance, e.g. as leading principle in the Corporate Governance Code, the focus is shifting from a financial value creation perspective to a multiple value creation perspective for organisations. In addition to financial value creation like shareholder return, the focus for organisations is becoming more complex because non-financial value creation must be considered (Lükerath-Rovers, 2022).

Paradox Management

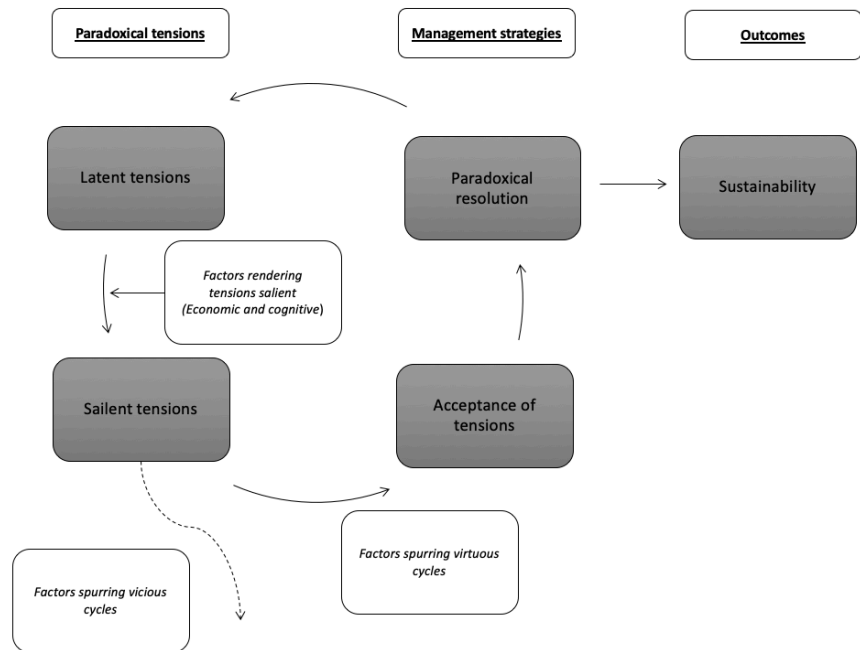
Firms need to create value. But an increasing pressure on short-term commercial objectives might bring complex 'either/or' choices between maximising profits and trying to generate wider benefits, for example for society. Obligation paradoxes derive when, for example, social responsibility objectives, like prioritising human capital, conflict with short-term shareholders' – or customers' needs. Amongst many other paradoxes organisations face, paradoxes come with uncertainties and ambiguities. This drives anxiety amongst leaders and to fight for resource allocation. But the paradoxes are no black and white choices. They come with interdependent demands. The interdependence should not result in 'either/or' trade-offs, but ongoing 'both/and' exercises (Smith et al., 2016).

Multiple studies dealt with the subject of conflicts, tensions or opposing forces in organisations (Johnson, 1998; Luo et al., 2020; Smith & Lewis, 2011). From an organisational paradox theory perspective, organisations have to deal constantly with persistent, contradictory yet mutually dependent demands (Luo et al., 2020). To deal with paradoxes, organisations must accept that these are not rational or linear, but unsolvable and persistent puzzles (Smith & Louis, 2011). Smith and Lewis (2011) define paradox as "*contradictory yet interrelated elements that exist simultaneously and persist over time*". A well-known model in dealing with organisational paradoxes is the Dynamic Equilibrium Model as proposed by Smith and Louis (2011). Based on this model, holding conflicting forces and purposeful cyclical responses to tensions over time enable sustainability. Sustainability, as meant in the model, depicts long-term organisational success (Troostheide, 2016). An organisational paradox arises when an organisation pursues commercial, social and environmental goals at the same time (Luo et al., 2020). These paradoxes for Corporate Sustainability have been studied (Luo et al., 2020; Hahn et al., 2017) and Luo et al., (2020) used the Dynamic Equilibrium model for a systematic

review of corporate sustainability paradox management. In figure 2.1, the Dynamic Equilibrium model is adopted as proposed for this study based on Smith and Louis (2011) and Luo et al. (2020).

The main principles of the Dynamic Equilibrium model can be divided into three features, presented at the top. The first are paradoxical tensions that are both latent and salient. Latent tensions may be dormant, unperceived or even ignored until environmental and cognitive efforts accentuate the conflicting and relational natures of the dualities. Then, actors experience the contradictions and becomes

Figure 2.1: Dynamic Equilibrium Model for Corporate Sustainability. Created by author based on Smith & Lewis (2011) and Luo et al. (2020).



salient (Smith & Lewis, 2011). Environmental conditions of plurality, change and scarcity could trigger paradoxical tensions to manifest – and therefore become salient to actors (Smith & Lewis, 2011; Luo et al., 2020). Conditions of plurality can manifest for corporate sustainability paradoxes by pursuing the triple bottom line (in addition to profit, focussing on two additional impacts as bottom line; people and planet), multiple stakeholder demands and multiple institutional logics. A high concern on any goal, can be harmful for corporate sustainability outcomes and tensions appear (Luo et al., 2020). Co-existence of social and economic/financial logics, market and community logics or separate and integrated logics can provoke tensions around an organisational structure and identity. This could lead to change as institutional logics determine the material practices, values, beliefs and assumptions in organisations. The dynamic nature of organisations requires constant change as well to keep up with the situation in practice of “what should be” and “what is” (Luo et al., 2020). Scarcity involves the limitations in resources, regardless whether its temporal, finance or human resources related. Organisations, and leaders specifically, has to make choices on how to allocate resources. This intensifies tensions between opposing and interdependent alternatives (Smith & Lewis, 2011).

Cognitive efforts regard the actor themselves and highlights the role of personal frames and cognition (Luo et al., 2020). Perceived uncertainty, complexity and ambiguity could contribute to manifestations of sustainability tensions. It seems clear that personal framing triggers salience of corporate sustainability paradox. Paradoxical framing is key in personal framing as it leads to a higher sensitivity to sustainability tensions. Subsequently, individuals acknowledge the interdependent and contradictions among the competing goals in the organisation (Luo et al., 2020). With paradoxical framing an ‘both/and’ cognitive approach is used to focus

on multiple objectives and recognise social and business demands as independent and contradictory. The distinctiveness and opposing nature of economic and social goals is acknowledged, yet it is considered as dependent on each other in the long run. This progressively affects the breadth and outcomes of the ability to create and convey a sense of opportunities in designing and implement commercial activities, underlain with positive society-oriented finality. Paradoxically minded managers and teams tend to develop higher awareness and understanding of sustainability related tensions and conflicts. This is a necessary condition for managing these tensions and conflicts (Vallaster et al., 2019). Yet, personal framing could distract from the paradoxes as well. The mechanisms can be used in a way as “looking at the bigger picture” or making favourable comparisons (Luo et al., 2020).

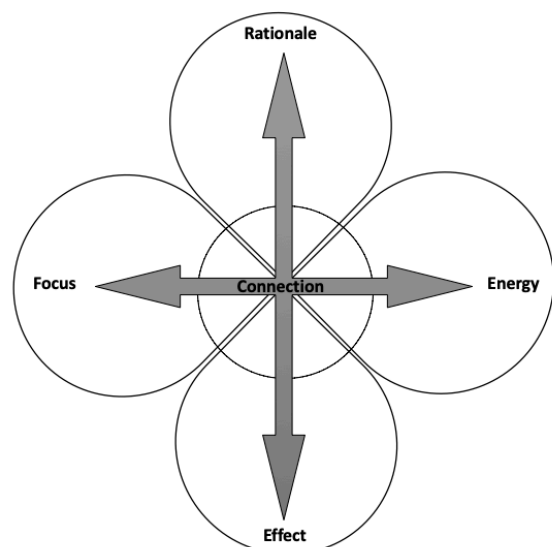
The second feature are responses to tensions that entails iteration among management strategies. Once paradoxical tensions become salient, it spurs a response. These responses can either be negative or positive. In the Dynamic Equilibrium model, the former are vicious cycles. They stem from cognitive and behavioural factors for consistency, anxiety and defensiveness. This often leads to defensive mechanisms as denial and repression (Smith & Lewis, 2011). The latter regards virtuous cycles through acceptance and resolution strategies. A more positive response to paradoxical tensions will bring awareness of tensions triggering a management strategy of acceptance rather than defensiveness. It becomes possible to discover the link between the opposing forces (Smith & Lewis, 2011). Luo et al. (2020) regards proactive and defensive management strategies to corporate sustainability. In a proactive strategy, the existence of paradoxes is acknowledged and the actors regard it as feasible to achieve multiple contradictory goals at the same time. In a defensive strategy, actors are involved who deny or ignore the contradictions and tend to divert or eliminate the tensions between the economic and the corporate sustainable demands. Thus, management strategies reinforce cycles. These strategies of resolution and acceptance for tensions fuel either vicious or virtuous cycles (Luo et al., 2020). Acceptance brings a comfort to tensions and is vital for virtuous cycles. When actors assume that tensions can and should coexist, they can deliberately explore the relationships between the tensions. Resolution involves seeking responses to the paradoxical tensions, either through splitting and choosing or by finding synergies. The model proposes purposeful iterations between alternatives to ensure simultaneous attention over time (Smith & Lewis, 2011). The third feature regards the outcome of the management strategies on sustainability (Smith & Lewis, 2011). While focussing on one goal might benefit the short-term, for long-term sustainability constant efforts in a mutually reinforcing way must be used to address the different goals or objectives (Luo et al., 2020). Attending contradictions have been associated with career success, high performing groups and organisational performance. Individuals, groups and organisations achieve short-term excellence while ensuring this performance fuels adaptation and growth for long-term-success. The Dynamic Equilibrium Model enables long-term success by enabling learning and creativity, fostering flexibility and resilience and unleashing human potential (Smith & Lewis, 2011). For corporate sustainability a proactive strategy brings on the short-term a shift toward agonistic rhetoric. This contributes to transcend the tensions and

foster Corporate sustainability. It could also facilitate knowledge creation and stimulate creative insights. There is prove that a sustainability orientation improves the innovation of entrepreneurs on final projects. Other benefits that can be obtained are credibility, market engagement and competitiveness by positively reacting to sustainability paradoxes (Luo et al., 2020). These short-term benefits contribute to the longer-term benefits. Most scholars usually depict the positive effects of sustainability on the long-term. Typical indicators are increased performance over a longer period regarding profit and sales. The social performance is reflected in a higher social employment, community regeneration and community income increase (Luo et al., 2020). Proactive strategies are a precondition of the virtuous cycles. These have been verified to enhance economic and social performance simultaneously, while defensive reactions – leading to vicious cycles – cannot facilitate sustainable development.

Dynamic Model of Vigorous Change

The results from the interviews (chapter 4) indicate to do something different and shows that addressing ESG objectives is acknowledged as important, but the organisation in scope is at a starting point. Ten Have et al. (2011) describe the missing connection that arise in practice between strategy and execution. This might be helpful for the organisation as the results indicate clarity in strategy and its operationalisation is missing. The gap between planning, or strategy, and execution can be filled by change (Ten Have et al., 2011). To address something new or different in an organisation, for example in perceptions or approaches, change might be needed to bring people on board. To change, tensions must be recognised and acknowledged as tension and harmony are undeniable parts of organisations (Otto & ten Have, 2012). As described by Johnson (1998), polarities must be hold. From the perspective of the Dynamic Equilibrium Model purposeful iterations can be used to reach simultaneous attention over time (Smith & Lewis, 2011). Fitting the approach of dealing with tensions, Otto & ten Have (2012) describe the Dynamic Model of Vigorous Change in which tensions are seen as productive for organisations. By using its forces and counter forces, it makes sure it is balanced and situationally address the forces and the underlying relation. Dominance or overshooting one side of the balance must be prevented. From their perspective, organising and changing is – in line with Johnson (1998) – to hold the tensions by making them productive. These productive tensions for change can be classified in five essential elements, and are used to get an overarching overview of the approach. The elements are depicted in figure 2.2. The rationale concerns the

Figure 2.2 Dynamic model of vigorous Change. Created by author based on ten Have et al. (2011).



motivations for the required change. Otto & Ten Have (2012) addresses the effect as the intended or possible effects for the short- and longer-term. The element of focus addresses the direction of motion towards the desired state which can be related to formal frameworks, as structures, or informal frameworks as culture. Energy is about inspiration, motivation and influence for people willing and being able to contribute. Lastly, the element of connection is about how the former elements can be connected in a productive and an optimal manner.

2.2 Corporate sustainability for the Business

As described in chapter 1, drivers can excel or improve objectives and inhibitors might hinder these. Therefore, ESG objectives as well as commercial objectives (dependent variable), could be influenced by drivers or inhibitors (independent variable). As both objectives are of importance for the organisation, the study also focuses on whether ESG related actions, or performance on ESG objectives (independent variable), could influence the commercial objectives (dependent variable).

Drivers

To get a better understanding of reasons why organisations integrate ESG in their operations, different perspectives can give more insights. Chevrollier et al. (2020) describes the possibility to have a strategic orientation on the commitment of ESG from an instrumental -and a stewardship perspective. The first perspective considers sustainability as a business case perspective. A way to gain competitive advantage. The latter considers a normative and long-term perspective regarding sustainability. Organisations find it the right thing to do. It is a view on corporate sustainability as a core value of doing business for genuinely taking joint responsibility for the society and future generations. It recognises the mutual dependence between doing business and the society (Nijhof, 2016). Essential is the foundation that Profit and 'the economy' must serve the development of People, Planet and Profit. Profit and the economy are therefore not the highest good (Wetzels, Nijhof & Achterkamp, n.d.). Dare (2016) studied the relationship between the motivation from an organisation to apply CSR and the depth of commitment. In addition to the former perspectives, she describes the relational motive. In this motive, CSR is driven by managers to build, maintain and restore legitimacy. The motive comes from the stakeholder theory in which supporting CSR, satisfies several stakeholders. The study shows that organisations with a moral motive -which has a comparable foundation as the stewardship perspective - have a higher commitment for CSR than organisations with an instrumental perspective. It could be argued that this moral motive therefore helps to drive ESG objectives.

Another study describes the role of the CEO. Based on the Agency-Stewardship approach, managers who are more committed as stewards implement more ethical and social practices. They are also more focused on long-term value creation (Godos-Diez et al., 2010). A study by Klona (2019) within the Australian

manufacturing industry describes that the drivers for implementing CSR-related initiatives come primarily from stakeholders such as customers, employees and the ecological environment.

Leaders should reflect which ethical principles they want to adhere to in both good times and bad and use a genuine commitment as the basis for economic sustainability (Nijhof & Jeurissen, 2010). Compensation linked to non-financial results (such as ESG) and education can positively influence this. With this, executives are more likely to observe an alternative timeframe or give more weight to long-term visions in decision-making (Galbreath, 2016). From this perspective, compensation in ESG performance can influence a long-term vision and therefore addressing ESG objectives and commercial objectives.

CSR related decision making can include decisions whether to trade short-term benefits against (long-term) benefits that might be uncertain or absent but may result in engaging in CSR related activities. In a study regarding drivers of managers intentions to engage in CSR-related activities, it shows a positive and significant relationship of attitude and perceived behavioural control from the theory of planned behaviour of Ajzen on behavioural intents towards CSR. It suggests that a positive attitude is needed when considering CSR aspects in decision making and the resources to execute the behaviour. The study proposes effective management control systems with controls that improve individuals' attitudes and perceived behavioural control to lead to a CSR conform behaviour. Such controls could include, employee training, tone at the top, codes of conduct, linking CSR components to assigned performance goals and annual evaluation processes and group-based rewards (Feder & Weißenberger, 2019).

But literature describes drivers as well which influence commercial objectives or organisational performance. Eccles et al. (2014) describes that according to Porter and Kramer, some organisations are performing well, by doing good. Meaning that meeting the needs of non-shareholding stakeholders will create value for shareholders. They studied the effect of corporate sustainability on organisational processes and performance. Corporations who voluntarily adopted sustainability aspects, have more often processes in place to keep stakeholders involved. More often than their counterparts, they do so by training managers in stakeholder management practices and making sure that stakeholders can raise their concerns. Also, these corporations are more long-term oriented and perform better than organisations who didn't implement policies regarding sustainability, on the stock market and their return on equity and return on assets.

Henisz et al., (2019) describes five levers from ESG leading to value creation. ESG creates value because it leads to top-line growth. It helps to tap new markets or expand current markets. Based on a McKinsey study, customers – in multiple industries – would pay an additional five percent if a green product would meet the same performance as the grey alternative. In addition, ESG will lead to cost reductions because of lower energy consumptions or waste expenses. Also, it states the correlation between efficient use of resources and financial performance. Companies with the highest sustainability strategies, did particularly well across different sectors. The third leverage is a greater strategic freedom because of less regulatory pressure induced by a strong external-value proposition. In several sectors it has been shown that strong ESG reduces risk of adverse

government action and engender support. The stronger the perception amongst employees about the benefits of their work, the more they are motivated to act prosocial way. ESG can in this case add value because it can retain quality employees, raise their motivation by ingraining a sense of purpose and increase their productivity. Investments and assets can be optimised when capital is allocated to sustainable opportunities. Regulatory response might increase costs in the future for emissions caused by companies and bans or limitations on the use of certain products will introduce new constraints. To get ahead of this, repurposing assets can contribute. Seen from these levers, ESG itself influence commercial objectives.

Long-term adoption of an approach in which ESG is intrinsically driven, in the sense of being voluntary and fitting the stewardship approach, leads to long-term opportunities. More specifically, it leads to better organisational performance, such as accounting performance and equity market performance (Nijhof et al., 2018; Eccles et al., 2014). Falkenburg & Brunsael (2011) studied the relationship between performance and CSR, based on four outcomes of CSR initiatives: strategic disadvantage, strategic necessity, temporary strategic advantage and strategic advantage. They describe that reputation is seen as an added value of CSR activities to gain competitive advantage. Another study describes the role of the CEO. Based on the Agency-Stewardship approach, managers who are more committed as stewards implement more ethical and social practices. They are also more focused on long-term value creation (Godos-Diez et al., 2010).

Księżak (2017) describes several benefits from CSR for companies that might drive performance. Benefits like a positive image and increasing employees' morale which contribute to motivation and productivity. It helps to attract new talents and retain good employees because they want to work for a company with a good reputation. Also, it decreases employee turnover, reducing costs for recruitment and time to train new workers. Potential customers find it more important to choose brands known for their social responsibility even if they have to pay a higher price. Another benefit described to CSR practice is the influence on operational efficiency, making production more cost effective and increasing profits, for example because of the reduction of waste. In managerial decisions CSR helps because it directs managers to establish more sustainable strategies that create more value for a company, for example by reasonable allocation of resources within the business. Further, internal direct benefits can be learning, expanding talent pool and increased employee commitments, as indirect internal benefits mentioned are innovation, cost savings, better quality and productivity.

To implement sustainable strategies organisations should create an infrastructure that reflects and reinforces the initiatives. The benefits for doing so concerns inrole and extra role performance enhancement on individual level, increase employee engagement and commitments and enhanced organisations' reputation. The latter makes the organisation attractive for potential employees and customers. To create and maintain a culture of sustainability, the mission, values, goals and strategies must support this integration. From an HR perspective, it concerns topics like alignment with hiring and retaining employees and reinforcements & rewards. Furthermore, managers should expect and assist employees to formulate and implement sustainability decisions in their day-to-day jobs. The culture is positively associated with organisational performance (Galpin et al., 2015).

Inhibitors

These drivers might indicate several motives contributing to why companies should act responsibly. Yet, several inhibitors can be identified from the literature as well. With the increasing focus on sustainability and ESG, integrating such issues into strategy is on the agenda of more and more companies. A study by Chevrollier et al. (2020) shows that an instrumental approach can lead to a short-term focus on ESG, as other business cases are deemed more financially profitable in the long run. Financial costs or the lack of clear strategic benefits inhibit CSR (Klona, 2019). Nijhof & Jeurissen (2010) describe limitations to a business case-driven approach in sustainable operations. It leads to opportunism, causing the projects that are most profitable to be prioritised instead of the most needed in terms of sustainable business operations. They also describe, using self-determination theory, that it thwarts intrinsic motivation, among other things. A so-called over justification effect ensures that external tangible rewards will reduce motivation. An explanation is that one is rewarded for something that is already considered important. This creates the perception that they perform the task for the reward.

Internal incentives as salary, bonus and stock options affect executives' behaviours. The incentives for executives have a significant impact on strategic decisions for organisations, including CSR strategy. Executives with long-term incentives are less sensitive to short-term financial performance and more often apply a CSR strategy where outside stakeholders are served. Executives with short-term incentives are more focused on serving inner stakeholders (Ding et al., 2020). Galbreath (2016) supposes that insiders on the board, because of short-term pressures, are less likely to prioritise the long-term time horizons, which are needed to influence CSR. The study by Eccles et al. (2014) describes that organisations that voluntarily include sustainable business practices in their policies are more long-term oriented and have processes in place for this purpose. Based on this, it can be argued that a voluntary, intrinsically driven orientation can contribute to putting the topic on the long-term agenda.

It is known from the literature that managerial myopia concerns managers' short-term focus on immediate financial goals, often at the expense of long-term considerations such as ESG factors (Baumgartner, 2009). This can have both unintended consequences for people and the environment, but also for the long-term sustainability and profitability of a company itself. Companies managers with a long-term focus are more likely to adopt strong ESG policies. A study among Chinese companies shows that managerial myopia strongly reduces the likelihood of ESG engagement (Liu & Zhang, 2023).

When companies focus on ESG as long as it brings economic or competitive advantage, this might indicate that over the long-term the focus will decrease. On organisational level, intrinsic motivation of managers will lead to a stronger commitment for sustainability than extrinsic motivation (Chevrollier et al., 2020).

But literature describes aspects in which it could be argued that ESG can be seen as inhibitor as well. Inertia inhibits managers from adapting business models or strategic decisions. Even if managers know that

they need to integrate sustainability into business operations, it is difficult to know in what way to implement it and how to bring the whole organisation on board (Eccles et al. 2014). Falkenberg & Brunael (2011) describe the importance that the focus of CSR activities should be on those activities that actually add value. General social problems are important for society, but will not enhance an organisation's competitive advantage. If an activity does not add value, it will cost money and turn into a burden.

Corporate Sustainability might bring risks. Since January 2023, the Corporate Sustainability Reporting Directive (CSRD) has come into force. The EU wants all large organisations and listed companies to report on risks and opportunities arising from social and environmental challenges and the organisation's impact on people and the environment. The first companies should provide the first reporting based on the new rules for the 2024 financial year, in the 2025 reports (European Commission, n.d.). Failure to comply with regulations could lead to compliance risks.

Core values are deeply held principles that guide all actions of an organisation. Core values are not compromised for short-term economic gain or convenience. They may limit an organisation's freedom, but concern the fundamental, strategic beliefs within the company. Core values should be implemented in all processes, whether employee appraisals, bonuses or hiring policies. Bad values, or presenting a value that lacks conviction is destructive because it leads to cynicism, less motivation among employees and it undermines management credibility. Also, we know that bad values reduce motivation and true core values are not compromised for short-term or economic gain (Lencioni, 2002). It can be argued that based on this information, bad value statements regarding corporate sustainability might inhibit performance.

There are arguments that CSR might get in the way of performance. The focus of a company should be on increasing its profitability. From this perspective CSR is a distraction. Also, allocating capital to CSR might lead to a disadvantage in relation to competitors, because it isn't spent on R&D activities. Because CSR considers all of a company's stakeholders, there are different interests to consider. These interests can be in conflict with each other which might lead to choosing one's needs over others (Książak, 2017). Other literature describes the agency cost as well. Managers might receive benefits from addressing ESG issues, but this has financial implications (Eccles et al., 2014). That the organisations' focus should be on the profitability, fits the often described. Friedman claim that the social responsibility of business is to increase its profits (Friedman, 1970; Nijhof & Jeurissen, 2010).

Proposed models

Above, various inhibitors and drivers are identified from literature. Yet, the drivers and/or inhibitors differ in focus. It provides examples of drivers and/or inhibitors for ESG and/or commercial objectives but also examples from ESG as driver/inhibitor for the commercial objectives. The proposed model underneath, based on the drivers and inhibitors described above, focusses on potential drivers and inhibitors for Corporate Sustainability objectives, but can be related to the short-term context of the organisation and therefore to the commercial

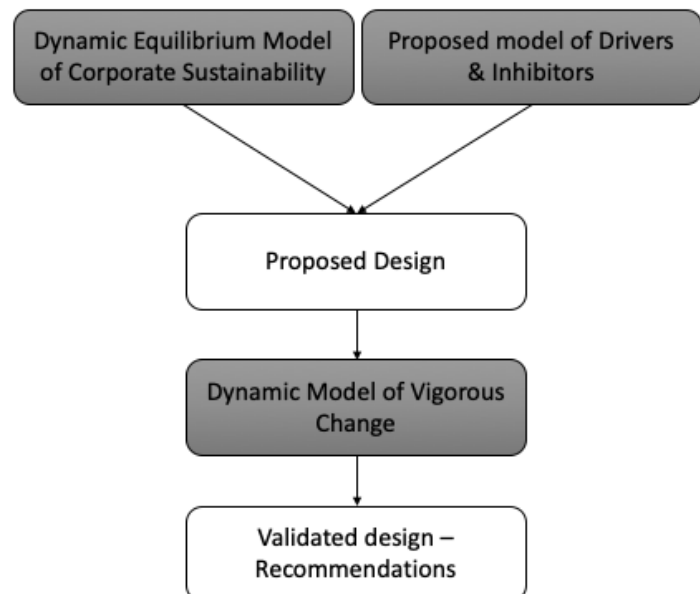
objectives. Comparable variables were formed to one group. It is proposed that these variables either drive or inhibit the corporate sustainability objectives as well as the commercial objectives.

Drivers for current context	Source	Inhibitors for current context	Source
Gain competitive advantage	Chevriollier, 2020	Compliance risk	European Commission, N.d.
Right thing to do as joint responsibility for society	Chevriollier, 2020 ; Nijhof, 2016	Financial costs for CSR Investments/initiatives.	Klona, 2019;
Build, maintain or restore legitimacy	Dare, 2016	Costs that cannot be spend on R&D	Książak, 2017
Top line growth, e.g. expanding markets, customers pay more for green alternative, expand new markets, establish sustainabe strategies to create value	Henisz et al., 2019; Książak, 2017	Lack of strategic benefits	Klona 2019
Cost reductions, e.g. lower energy consumption, waste expense, Decreasing employee turnover, (reducing Costs, reducing time to train employees).	Henisz et al., 2019; Książak, 2017	Limit organisational freedom when CSR is core value	Lencioni, 2002
Strategic freedom, e.g. less regulatory pressure	Henisz et al., 2019	CSR distracts the organisation from increasing its profitability	Książak, 2017
Productivity uplift, retain employees, raise motivation, increase productivity	Henisz et al, 2019; Książak, 2017	Strong short-term focus (managerial myopia)	Baumgartner, 2009; Liu & Zhang, 2023
Improved reputation	Falkenburg & Brunsael, 2011; Książak, 2017		
Internal direct benefits, leaning, expanding talent pool, increased employee commitments	Książak, 2017		
Indirect internal benefits, innovation, cost savings, better quality and productivity	Książak, 2017		
Integrated CSR culture is positively related to organisational performance	Galpin et al., 2015		

Table 2.1: Proposed model for the importance of ESG in the business and if it contributes to commercial objectives of the organisation (drafted by author).

The proposed model of drivers and inhibitors will be used to identify drivers and inhibitors in practice and compare them to the aspects found in literature. In addition, the proposed model helps to understand driving and inhibiting factors when they are discussed during the data collection phase. The dynamic equilibrium model for corporate sustainability will serve as fundament for data collection to define an interview guide and to understand the concept of dealing with paradoxes or dealing with multiple objectives. These two models are therefore the theoretical foundation for the first design, the interview guide. Ultimately, the dynamic model of vigorous change is used to diagnose the results and provide recommendations for the organisation. These relations of the theoretical framework were depicted in figure 2.3 and serve as design for this research. The first part of the model is used as foundation for the interviews, while the second part of the model, the Dynamic Model of Vigorous Change is used to diagnose the results. This eventually results in chapter 5 in the proposal of a strategic roadmap (Siebelink et al, 2021) for the organisation.

Figure 2.3 Visual representation of the designed model based on theoretical framework



3. Research Design & Data Collection

This chapter describes the design of this research and chosen methods to answer the research questions. Every sub-question will address the method on how it will be measured. Subsequently, it describes the applied methodology and how the data collected data was analysed. This includes the methodology used to build the theoretical framework as described in chapter 2.

3.1 Design

A distinction is made between the research design and the designed model for the research resulting in the recommendations as presented in chapter 6. The designed model is presented in figure 2.3. It consists of the combination of the Dynamic Equilibrium Model, the Proposed model for drivers and inhibitors and the Dynamic Model of Vigorous Change. The use of the first two models are explained in this research design section. The Dynamic Model of Vigorous Change has been used to diagnose the results, subsequently resulting in the proposed recommendations. This model was found after the application of the first design as the results indicate a need for change.

The research design refers to the design enabling the researcher to draft the recommendations. As the goal of the research addresses the current context and possibilities how to cope with the topic in the future, it concerns a specific period in time a specific period in time. The performance isn't checked throughout a longer period. Therefore, a cross-sectional study was used for the research. In determining the methods, three criteria have been used for evaluating a measurement tool: validity, reliability and practicality. For the validity it concerns if the measurement (question or tool) actually measures what it should measure. The reliability concerns the accuracy and the precision of the method. The practicality concerns a wide range of factors of economy, convenience and interpretability (Schindler, 2019). As variables were explored and weren't be manipulated, the design of this research is a descriptive and ex post facto study. The Dynamic Equilibrium Model is used based on the systematic literature review of corporate sustainability management from Luo et al. (2020) as main theoretical framework for this research. By adopting this focus of the model, the research contributes to gain empirical insights from practice. For pragmatic reasons, its described in this study as Dynamic Equilibrium Model for Corporate Sustainability. Below, it is explained what design is used to answer the sub-questions.

Sub-question 1

What dilemmas does the organisation face in achieving ESG objectives and Commercial objectives in the current context?

- a. Why is it important for the business to implement ESG objectives?*
- b. Why is it difficult to balance ESG objectives and Commercial objectives?*
- c. What conflicts can be identified from dealing with ESG and Commercial Objectives?*
- d. What risks and opportunities derive from these conflicts for the organisation?*

The proposed model of drivers and inhibitors provides a representation of potential importance of ESG for business. This model will be used as baseline to determine to what extent in practice the variables might be seen as driver or inhibitor for the importance of ESG in the business and if it contributes to commercial objectives of the organisation. In addition, it will be explored if additional variables can be identified from practice. To gain insights in potential dilemmas between ESG objectives and Commercial objectives Dynamic Equilibrium Model for Corporate Sustainability is used to explore factors contributing to the manifestation of these paradoxical tensions in the organisation.

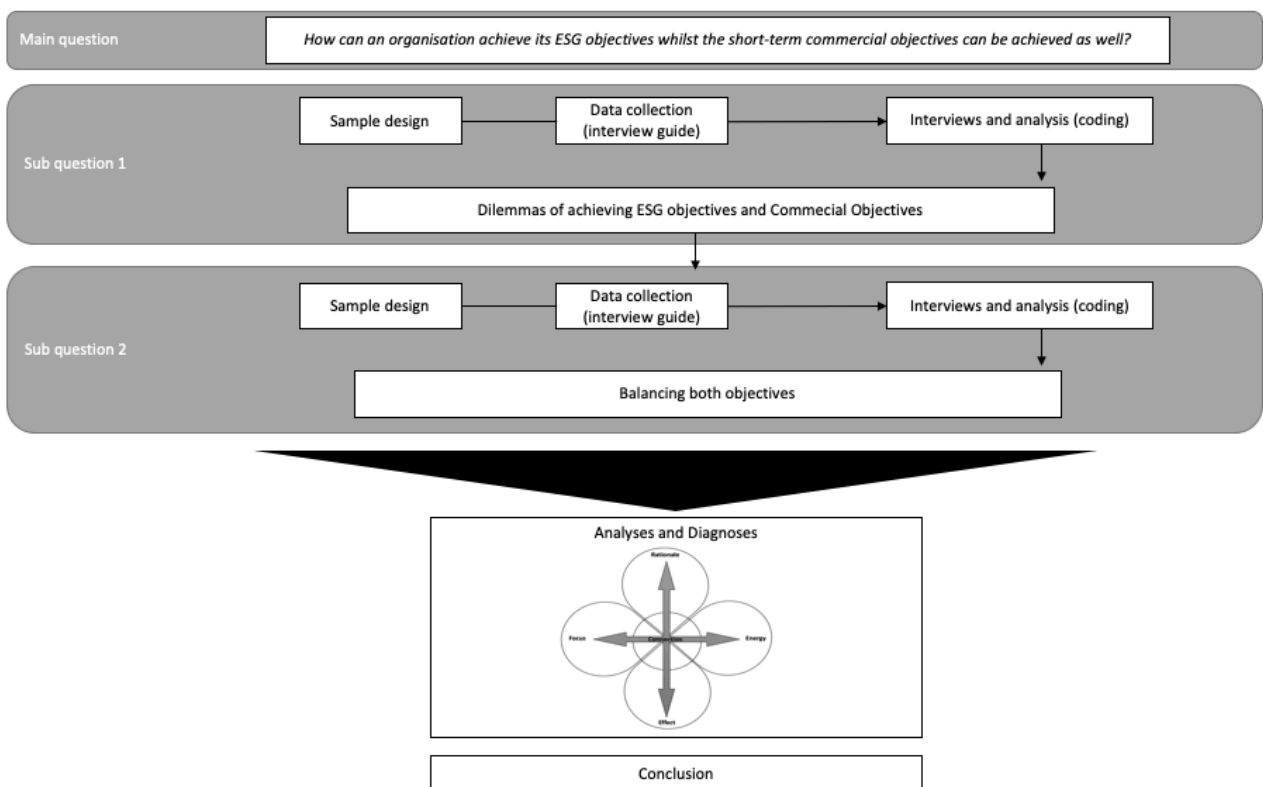
To address this sub-question and the underlying questions, semi-structured interviews provide the opportunity to explore the situation in the organisation in practice. The interview addresses the importance, difficulties, factors contributing to manifestation of paradoxical tensions in the organisation and its potential conflict. Based on the Dynamic Equilibrium model and proposed driver and inhibitor model, these aspects – in line with the underlying questions, were integrated in the interview guide. The interviews enable the possibility to obtain and explore detailed information regarding the situation and where needed, to clarify the information. The proposed model of drivers and inhibitors serve as foundation to identify aspects driving/inhibiting ESG for the organisation to confirm or address new insights to drivers and inhibitors. As the theoretical framework of paradox management proposes a potential tension(s) between ESG objectives and commercial objectives, it's important to gain insights from experts within the organisations from either poles of the paradox. Therefore, employees directly involved (either by responsibility, initiative lead or dealing with the implementation) in ESG objectives will provide a sample. Because this might bring a 'pro ESG' perspective, insights directly from the business are important as well. Therefore, this sub-question will also be explored with employees from the NAVAL organisation unit as well. This part of the business is the most critical unit relating to the pressure of the organisation and is by far the largest unit within the organisation. To gain a broad understanding of the situation within the business, the perspectives from the Balanced Scorecard is used to address different perspectives in the organisation. It forces to look at the business in four important perspectives: Financial, Internal Business, Customer and Innovation & learning (Kaplan & Norton, 1992). Every perspective is used to interview experts in the field of the business, but won't serve as theoretical foundation in this research. To secure an independent view of the organisation, at least two interviews will be held for every perspective. An overview of the interviews related to the perspectives of the Balanced Scorecard can be found in Appendix 1. An interview guide will contribute to the validity and reliability as it addresses the main questions for the interviews. The general version of the interview guide is presented in Appendix 2.

Sub-question 2

How can an organisation find the right balance for both of the objectives?

Using the second and third feature of the Dynamic Equilibrium Model for Corporate Sustainability it is explored how the organisation is currently managing the sustainability paradoxes (either with a defensive or proactive strategy) and what outcomes they expect – regardless of the strategy- as both objectives must be addressed. Because of the timeframe and the use of an ex post facto study, the outcomes were not verified in practice. The way it's currently managed and the expected outcomes will be addressed in the interviews as mentioned in sub-question one. This way, the research gains insight in the perspective of the way the paradoxes are currently managed. In addition, as Top Management is responsible for the strategy of the organisation, it is explored with a member of the management team how the organisation is currently managing the sustainability paradoxes and the expected outcomes. As the supervisory board has an important role by supervising the strategy, the perspective of the supervisory board is be explored as well. To gain further insights on how to balance multiple objectives, the interviews addressed potential approaches to check to what extent this can contribute to the execution of both of the objectives, and therefore, paradox management. Semi-structured interviews are held with members of the management to explore this sub-question as it is needed to gain specified information from a select group of experts as identified in sub-question one. To gain a diversified perspective on how to deal with both kind of objectives, at least two semi-structured interviews outside of the organisation are held to explore how organisations can balance ESG and commercial objectives. Figure 3.1 depicts the model for the Research design.

Figure 3.1 The research design



3.2 Confidentiality & Ethics

This research gives insights in strategic actions and difficulties in the organisation. Interviews were held with internal employees and internal documentation is consulted to validate inputs or gain additional insights. In addition to the use of internal documentation, the nature of the business requires a strict process regarding the use of and sharing internal data. In addition, three interviewees did not consent in their informed consent file with the future use and reuse of their answers by others and the permission to archive their information publicly in the repository of the University. The first and second reader of the thesis will be asked to sign an approval document regarding the confidentiality (see appendix 4). The extent of the confidentiality (open, Thales Group internal, -Confidential) will be determined by Thales.

This research was submitted for a request for Ethical review by the Faculty of Behavioural, Management and Social Sciences of the University of Twente (request number: 231310). In this review the ethical aspects of the research project are assessed and approved by the BMS ethical Committee/Domain Humanities & Social Sciences.

3.3 Methodology

This section describes the applied methodology based on the research design, as described in paragraph 3.1

Literature review

This research is mainly based on literature found in the academic databases of 'Web of Science', 'Scopus' and 'Google Scholar'. The framework emerged gradually and over time as the first scope of the research was related to the ESG and organisational performance. By means of scoping and discussions with the study team, this had been sharpened to potential conflicts in the objectives of focus in the study. An expert on Corporate Sustainability of the university of Nyenrode has been asked for some papers relating to how a strategic orientation towards ESG might enhance organisations, potential risk and opportunities of orientations for organisations and benefits of ESG for organisations. These papers served as guidance to the search strings in the described databases which were related to the relation of ESG and performance, organisational value, efficiency and aspects of driving or inhibiting the organisation in relation to ESG and/or CSR. Papers were found relevant if it addressed aspects described in the rationale of the sub-questions (paragraph 1.3.3). Relevant papers, relating to the sub-questions, were used to find new papers in the mentioned databases. A condition was that the papers should've been open to the University of Twente access for students. To get a broad understanding in practical approaches and gain insights for managerial value, CHATGPT and google was used, respectively, to generate ideas of well-known authors in relation to ESG/CSR, operational performance of organisations and to gain insights in Harvard Business Review articles. These authors were subsequently searched for in the mentioned databases to maintain an academic fundament. Every paper was analysed by determining its relevance based on the abstract.

In case the abstract was found to be related to the research question and/or sub-questions the conclusion and results were analysed.

Based on discussions with the study team, literature regarding dilemmas and dealing with conflicts were found in line with the previously described strategy. Aspects discussed were related to Polarity Management, Self-Motivation, dealing with conflicting goals, dilemma management and dilemma reconciliation. These search strings were explored and altered in 'Web of Science', 'Scopus' and 'Google Scholar' in relation to CSR resulting in either/and logic and entrepreneurial orientation to paradoxes. Again, the literature used in the papers were used for new papers.

Interviews

The research obtained qualitative data based on the semi-structured interviews. An interview guide was drafted upfront to be able to prepare the order of the questions, the way the questions will be asked an to get complete overview of the situation. Because of the semi-structured nature of the interviews, some questions could be addressed differently or new questions were added during the interviews because of the answers. Every interview, except the external interviews started with general questions to validate the understanding of the current context and the concept of ESG, but also to identify the first perspectives relating to these subjects. Subsequently, the second part addressed the importance of ESG for the business to address the importance but also to validate the proposed driver and inhibitor model (table 2.1) in practice. The third and fourth part was based on the Dynamic Equilibrium model. The third part relates to the manifestation of paradoxical tensions from the perspective of the interviewee to identify potential conflicts, whether these are latent or salient, to what extent these are experienced by the interviewee themselves and what risks and opportunities could be seen coming from the tensions between the objectives. The fourth part relates to the management strategies experienced or proposed by the interviewees. Part 5 addresses how to balance multiple objectives to identify potential approaches from practice. The interview guide, including its detailed description of the method can be found in appendix 2. Small alternations were made after the first interviews to bring more clarity in the questions. The same method applied for the interviews with the external companies, but the general questions were related identify more information about the company itself and to what extent the CSRD might be applicable for the companies. Also, the companies were asked how they have organised aspects in relation to ESG, how the organisation deals with business related objectives and ESG related objectives and trade-offs. For the internal interviews, as described in chapter 4, the employee management system and the researchers' internal network was used to identify the interviewees within the scope of the balanced scorecard. The interviewees were invited with a brief introduction of the study and why the interviewer fell in the sample. One person didn't reply to the invitation. One other appeared to be new to the organisation and it was discussed together who would fit the sample.

In addition to accepting the internal invite, all interviewees were provided upfront with the informed consent file (see appendix 5). For the external interviews, the informed consent files were marginally tailored for clarification purposes. In addition, in every interview the informed consent file was explained to the interviewee before interviewees was asked to sign the document. All interviewees signed the informed consent file. Three interviewees, did not consent with the future use and reuse of their answers by others and the permission to archive their information in the repository of the University. One interviewee, also part of the three interviewees mentioned before, didn't agree to use quotes from their information.

For the external scope, it was tried to find similarities between the organisation in scope of the research and the sample to make sure the information was as relevant as possible. Although at first the company would preferably be comparable in size, the combination with high-tech, defence and size made it difficult. For this reason, including availability of interviewees within the timeframe of the research, the sample described before was used. Therefore, the external company had to be a (high-)tech company so the external company was familiar with importance of innovation, competition in the market and a focus on technical products. Also, the organisation at least should have thought about commercial objectives as well as sustainable related objectives. The company must present (corporate) sustainability related initiatives on their website as this indicates an explicit decision to contribute to this topic and indicate that they are dealing with corporate sustainability in addition to standard business – commercial related – objectives. Preferably, the upcoming CSRD requirement – at the moment of defining the sample – would also be applicable or potentially to be applicable. The CSRD is applicable for listed companies in 2025, over the financial year 2024 and larger companies for the financial year of 2025. Larger companies have a revenue of € 40 million or more, a balance total of € 20 million or more and/or 250 FTE or more (Waals, n.d.).

To identify these companies, the website of High Tech NL was used (High Tech NL, n.d.). A first check, based on location of the company, resulted in 9 companies. The websites of these companies were checked to see if they provided information regarding sustainability and/or CSRD requirements, for example based on their annual reports. Four companies had been actively contacted to contribute to the research. One company didn't respond, another company discussed it internally and declined and two companies decided to contribute. Eventually, one of these company fitted all requirements and the other fitted to most importance requirement of being a technical company and has sustainability related information on the website. The CSRD requirements will likely to be applicable in the future. Again, the informed consent form was sent upfront and read before the interview was taken.

This resulted in 17 interviews in total. 14 interviews were held internally, within the organisation. Two interviews were held with external companies and an interview was conducted with a member of the supervisory board. Interviews were held in a physical meeting as much as possible to make sure the recordings were as clear as possible and no connection problems could occur. In the end, four interviews were conducted via Teams or Jabber because of time schedule purposes and private circumstances of the researcher. All interviews were

recorded, using a smartphone, with consent of the interviewees. The recordings of the (digital) meetings were clear. One of the digital meetings was interrupted by connection problems, but with new recordings after these problems no information was lost. One internal, physical meeting, the recording went wrong and half of the interview was lost. Because this was an internal interview and the amount of other internal interviews obtained enough data, no new interview was scheduled. Because of the international context of the organisational, 3 interviews were held in English. The rest of the interviews were held in Dutch. Validity was strengthened by respondent validity. During the interviews feedback was requested to prevent misinterpretations of the participants.

3.4 Analysis

The recordings were transcribed word by word. All participants (internal and external) were able to review the transcript within five working days. 5 interviewees made alterations in their transcript before sending it back. When a transcript was reviewed this version was used as final version. The other transcriptions were considered final when the 5 days had passed or the interviewee agreed to the transcript. The transcription process resulted in more than 200 pages of qualitative data needed to be analysed. To analyse this amount of qualitative data, the technique of coding was used for this research. Boeije (2012) describes three types of coding to unravel the large amount of qualitative data obtained during the study and structure it to answer the research questions. The coding process is the main activity to analyse the data and is a technique in the grounded theory approach. Although the types of coding give meaning to a process on how to code data, this is not a linear process. To be sensitive to (theoretical) possibilities, the researcher goes back and forth between the different types of coding. Yet, the initial – open – coding phase, is mainly done at the beginning of the analysis (Flick, 2013). But this shows that during the different phases, new codes can be created or changed into different categories. The types of coding described by Boeije (2012) and used in this research are open coding, axial coding and selective coding.

The first step is the open coding process. In the open coding process the data is divided into fragments and labelled with a code summarising the fragment. This process makes qualitative data manageable and clear. Codes were made based on the information (or words) the interviewees use themselves – called in-vivo coding – based on knowledge of the researcher or based on literature (Boeije, 2012). During this step the transcripts were read thoroughly and text was divided into fragments. The fragments were labelled with a word, or a few words, which summarised the fragment or linked it to a part in the theoretical framework or research questions. During the process, in various interviews, codes were reused when they related to the same topic or it was a comparable answer. After this open coding process, more than 480 codes were identified in all 17 interviews. The exact number is unknown, because the coding and partially the axial coding had already started before all interviews were executed yet. New interviews, generated new codes.

After the initial, open coding process, larger themes within all the codes were identified by making connections between codes. In this axial coding phase, codes are grouped together. In this phase the amount of codes is reduced and it becomes clearer to what aspect in the research the codes are linked (Boeije, 2012; Verhoeven 2010). Data is reassembled after the open coding phase to identify relations (Flick, 2013). In this phase of the research all the codes were reviewed to see if the amount of codes could be reduced. Further, categories have been created based on the research questions, variables or topics discussed in the interviews with comparable topics. The codes were analysed and checked where relations and combinations are applicable and the codes were put into categories. Based on the analysis, codes were deleted when codes weren't clear, were merged or placed into categories.

The last type in the coding process is selective coding. In this phase, core categories are identified and codes are further integrated around this core category (Boeije, 2012). The core categories are chosen based on the sub-questions to structure the codes and information to an answer for the sub-questions. Within the core categories, the main results are determined based on the groundedness, the frequency the topic has been discussed in various interviews, but also based on novel insights or eye-catching information based on common sense. In appendix 6, an overview of the core categories with the underlying amount of codes is presented. After the coding process, the total number of codes were reduced to 107 main codes and 17 categories. The main codes consist of codes that were merged or often mentioned codes discussing the related topic of the main code and therefore the same topic. Eventually, based on an extract to Excel, the categories are analysed. During this analysis, for sake of scoping, the main codes with the highest within-group groundedness in the categories were further analysed. To balance a broad view in the results and address the right level conciseness, the analysis started with 3 main codes per category, with their underlying single codes. For a thorough approach, the other codes were checked for significant findings and comprehensiveness. To further analyse the data, based on the codes with the highest groundedness in the group (main codes), an extract was made with the quotation manager from Atlas.TI to check the data in the code thoroughly and describe the result and identify quotations. After this analysis, the remaining main codes were checked for novel insights or eye-catching information. An example of the within-group groundedness analysis and the categories with the main codes, and the single codes in this main code, used in this research are presented in Appendix 6.

Code groups of external company context, other codes, sampling, expected outcomes were ignored because of the limited, or no, contribution in answering the research questions. Some codes were used in other categories as a code can be part of multiple categories. The numbers don't add up because, for example, the Code "Benefits of ESG" – with 35 groundedness in total, but only 3 in the Approach Code group – (see Appendix 6) is addressed in other Groups as well, but 3 codes are applicable for this main code in the shown group. |

4. Results

This chapter describes the main results. The chapter is structured around the sub-questions and results are determined on the groundedness of the codes within the categories identified during the coding process. Paragraph 4.1 describes the results from the interviews for the first sub-question. The sub paragraphs are related to the sub-questions. Paragraph 4.2 describes the results from the interviews for the second sub- questions. The quotes are anonymised. To clarify the different interviewees, the quotes are provided with numbers, corresponding with the interviewees in appendix 1. The codes as described in this chapter are included in appendix 6, the code manager.

4.1 Dilemma's for the organisation

4.1.1 Importance of ESG

This subparagraph describes the results of sub-question 1a, why ESG is important for the business of the organisation. In the interviews, these topics were addressed by discussing the importance of ESG for the business, how it could contribute to the business and to what extent ESG drives or inhibits the business as part of part 1 and part 2 of the interview questions (see appendix 2). During some interviews, because of the semi-structured nature of the interviews, the topics were discussed in other parts of the interviews. Table 4.1 shows the main codes used for the results and the amount of times it was discussed in different interviews. The underlying codes are presented in appendix 6.

Category	Main code	Underlying codes	Amount of interviews addressing this aspect
ESG Driver	Benefits of ESG	26	11
	Positive business aspect	19	9
	Stakeholder/Context	20	10

Table 4.1 Used codes for Importance of ESG

The benefits of ESG for the organisation was discussed in different aspects. ESG as driver from the governance aspect was mentioned as a topic which reduce reputational risks and to give guidance for the organisation. An example of the governance aspect is the importance to respect business rules. During the period of the organisation's legal predecessor, a reputational incident made the organisation improve its governance practices and had an explicit focus on becoming an ethical organisation. Employees do not want to work for a company which is using sketchy routes to do business and is mentioned in the newspapers with a scandal. Therefore, it can reduce reputational risk and contribute to retain employees. Yet, another respondent did mention the importance of governance and reducing the reputational risk, but had the perspective that it was more beneficial for doing business with an organisation, than it would drive its own performance. Another benefit of the governance is bringing stability in an organisation. Mainly due to having correct procedures and in a context with many new employees, it gives guidance in the organisation. Based on these findings, having a

reputation regarding good governance practices, might contribute to reduce reputational risks and give guidance to employees how to work and do business in the organisation.

“...we have to respect business rules and we can't just go to corruption and say: “Ok, guys. If you take my system, you'll get your envelope for your own.... So, it is important because you don't want to see the organisation in the press in the media with a big scandal.” – **Interviewee Supply Chain 1**

Working on ESG is recognised in multiple interviews as a development with increasing importance for shareholders and (other) stakeholders. Respondents mentioned the needs for funding from shareholders to eventually become a profitable company. This was explained as if an organisation doesn't align with ESG expectations, stakeholders and shareholders will retract or stop investing in your business. To keep doing business within your market, the company needs to invest, needs funding and therefore comply with these expectations. Seen from a business perspective, it can be argued that ESG is important to maintain funding for the organisation from future shareholders. This aspect is confirmed by an internal Market & Intelligence analysis from the organisation. The analysis discusses ESG as business driver. 50% of investors want to divest if organisation don't take sufficient action regarding ESG. The document emphasises the importance when activities from a company are more sensitive regarding sustainability and responsibility, like defence business. Regardless of the reasons of divesting, pension funds or investment funds excluding defence companies will make it more difficult for the company to get funding outside of its own equity. The analysis describes the importance to demonstrate the business in Defence industry is necessary for stability and thus for sustainability (Thales³, n.d.). This shows the importance of ESG for the business to receive funding for activities in the (near) future, but to also address the importance of the defence Sector in relation to sustainability. One interviewee addressed the ESG developments for funding from a more critical viewpoint. It is perceived as a tick-in-the-box exercise. If ESG isn't sufficiently addressed, companies wouldn't be well received on financial markets.

“... once again, it is requested by financial markets. So, if you want to exist, you have to tick the box”.

Interviewee Sales 2

Another aspect related to this stakeholder perspective addresses the scarcity in resources as one of the main challenges. These resources concern the shortage in employees and is mentioned often during the interviews. Discussing the importance of ESG it is mentioned that younger employees find Corporate Responsibility more important than older generation of employees, for example, contributing in Ecodesign. It's the sense of doing good. From this perspective, it isn't a choice to perform on ESG for the organisation, but a matter to address new skills and address the skill shortages the organisation is facing. Some of the interviewees go further in these expectations. It is mentioned that ESG is a must, to keep existing in the long-term, because

it will be asked in by customers eventually and it is becoming a hygiene factor for employees. The external companies confirm the importance of ESG in your business to attract and retain future talent to keep doing business and the explicit importance for younger employees. Relating this to the current labour market situation, it is important to keep up with these context requirements to address the commercial related objectives.

In different interviews Corporate Sustainability was discussed as aspect contributing to the motivation of the workforce. Several examples are mentioned. One of these examples driving motivation is because employees feel proud of the organisation they work for. Specific for the organisation having most of its activities is the defence sector, people feel proud to contribute to products for a safer world. But motivation isn't solely business related. An example discussed is gaining knowledge from your context and be inspired when organisations let people join seminars, getting them new ideas, which might contribute to innovation. The Corporate Sustainability aspect of this example is to operate together and in the context of your company outside of the day-to-day activities. Another example was given about an Ocean Clean Up challenge improving social cohesion between employees as joining such a challenge connects employees from different parts of the organisation. Enhancing your internal network can help employees in their day-to-day jobs. Outside business activities gives a feeling of doing good bringing positive energy to employees and complementing an organisation because work is not only about doing business.

"You can see this with Ecodesign, as it is 'hot' for the youth. Now, the fact that we bring in a lot of young talent... it is the youth who find this important. Way more than men of my age who think: " well, it won't be my time before it's underwater here" - Interviewee Engineering 1

The expectations are not only addressed regarding stakeholders as shareholders or (future) employees. An upcoming requirement as the Corporate Sustainability Reporting Directive (CSRD) will force organisations to report and show compliance to the ESG related impacts of the organisation. This directive is addressed in multiple interviews, yet one interviewee mentions that the context should be careful not to lose the intrinsic motivation because of this directive. Addressing ESG in the organisation will stay a relevant discussion to keep compliant.

Finding ESG opportunities in the core business is seen as beneficial for the commercial related objectives, as well as ESG related objectives. One of the interviewees discussed an approach to identify these kinds of opportunities. For example, to identify ESG aspects, like a reduced carbon footprint of a product, in the product roadmaps. Because of the internal pressures, coming from the challenging context, the opportunity is addressed in the product roadmap, but the organisation doesn't necessarily implement it directly. Defining reduction of carbon footprint and setting the requirements in this roadmap will bring an advantage to be ready when the market ask for it. In this case the driver is to be able to distinguish yourself as a company from your

competitors. It will be a matter of time until “eco terms” in contracts will pop up as requirement in tenders from governments or as required inputs in Requests for Information (RFI’s).

“When customers consider this important in the future, we can tell them: “Yes, I have already defined my roadmap for that. I just haven’t put in the time and energy now because of resources scarcity or because of market demand we haven’t prioritise this before. But we are ready.” - Interviewee Bid- & Project Management

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Another respondent gave more clarity in ESG in relation to a core business perspective. The respondent addressed the importance of “doing Eco” in Western countries like for example the Netherlands, Germany, United Kingdom and France. Their lies the market to “*earn money*” with Ecodesign, an approach for engineering methodologies and processes to decrease a solution’ negative environmental impacts (Thales⁴, 2023). In not-Western countries, this might be more difficult, but “*this will be a matter of time*”. Yet, this customer expectation can be debated based on other interviews. It is often discussed in the interviews as a topic for customers in the future, but not at the moment. Others mention a bit of conservatism in the Defence-sector. Although not mentioning conservatism, the internal market analysis addressing ESG key factors as People (e.g. diversity and inclusion), Governance (e.g. corporate governance and business ethics) and Environment (e.g. energy consumption, CO₂ emissions) shows that the Defence-sector is behind other sectors in the environmental aspect, describing “*compared to other sectors, the global defence industry remains at an early stage of its journey to reduce greenhouse gas emissions*” (Thales, 2022²).

Seen from a Social benefit in ESG, there is an increasing awareness in the organisation that an improved inclusion of women and younger employees brings new perspectives to solve problems. Different perspectives can be generated by including people from different generations, different nationalities and/or genders. It is found that improvements can be made on these aspects as they aren’t sufficiently implemented yet. Addressing social improvements could be done by the integration in the recruitment processes. Making these processes more objective by making sure that hiring managers address the same questions during interviews. This contributes to a more objective comparison and prevent hiring employees who are alike like the manager. Yet, one interviewee mentions that inclusion may not lead to inertia by continuously including everyone for decision making.

The importance of ESG is also discussed from an CO₂ reduction perspective. Investments in solar panels to reduce energy consumption can reduce the operational costs and increase environmental performance of the organisation. This drives the commercial, as well as ESG related objectives. This environmental performance has other benefits for the commercial objectives. Specifically mentioned was the CO₂ performance ladder. In 2015 this certification was introduced and contributed to winning bids specifically in the transportation sector of the organisation. As this drives the order intake, it concerns an ESG related activity

benefiting the commercial objective. This certification is applicable in the Civil activities of the organisation. No such requirement was identified in the Defence activities, while the main challenges of the current context come from the organisation unit operating in the Defence market.

In summary, the importance of ESG is mainly addressed as in benefits and opportunities for the organisation, but also the necessity is increasing because of external expectations from (financial) markets and stakeholders. Examples are the importance to keep being funded in the future and to be prepared for future customer expectations. Also, contributing to the current commercial challenges, younger employees find performance on ESG from their employer more important than previous generations. As the main scarcity is in resources, it is important to address ESG to attract and retain talent as it contributes to their motivation. From a governance aspect ESG contributes to a reduced reputational risk and inclusion brings new perspectives to solve problems.

4.2.2 Difficulties in balancing objectives

This section describes the results of sub-question 1b. Potential difficulties were identified during the interviews based on discussing what the employees could tell about the current context, discussing if ESG objectives inhibits the organisation in the current context and possible manifestation of tensions, addressed in part 1, 2 and part 3 of the interviews (see appendix 2). The perception of potential tensions was discussed, to what extent it was experienced or what it made difficult for the organisation to deal with both in the context they are in. Table 4.2 shows the main code used for the results and the amount of times it was discussed in different interviews. The underlying codes are presented in appendix 6.

Category	Main code	Underlying codes	Amount of interviews addressing this aspect
Difficulties in the organisation	Challengings business context	65	15
	Commercial focus	2	9
	Resources	3	3
	Uncertainty	5	4
	Structure of Organisation	5	3
ESG inhibitor	Compliance perspective	6	6
	Extra work	5	2
	Customer	5	2

Table 4.2: Used codes for Difficulties in balancing objectives

The difficulties in the organisations has extensively been discussed during all the internal interviews. It became clear that the difficulties started in a period around 2015. At that time, the order intake within the largest organisational unit was insufficient to keep doing business and was decreasing. Therefore, a reorganisation was initiated, leaving the company with approximately 400 engineers. Most of these engineers were aged above 55 years. During that time, based on a higher risk profile, the organisation succeeded to get some major contracts, some against the expectations. Even after these major contracts, the highest bid of all succeeded. During this time, the world was facing the pandemic increasing the difficulties of collaboration.

“during that time we did quite a few big deals in the AWS corner where we took on quite a big risk profile. And then the market picked up. We won one. Well, delighted. We won two. Even happier. Then we won three. By then it was getting a bit complicated... ..and then we got, former contracts were all big elephants, and then we got the dinosaur. A year earlier than expected. So, those two things added up and also a phase, which we all almost forgot, we all spent almost 1.5 years sitting at home with mouth caps on” – Interviewee

Engineering 1

“It was a big revenue to digest”. – **Interviewee Sales 2**

The challenges were addressed in a transformation of the largest organisational unit. Bid- and sales departments adapting from a focus to maximise sales, to being a safeguard of quality sales making sure the future projects will be successful given the expected resources as staffing, production capacity and involved commitments to customers. Yet, implementing the transformation involves dealing with several challenges at the same time. For instance, the challenge of speeding up the ramp-up in skills by getting additional people, train them to capitalise the knowledge of people who are retiring soon while also adapting the organisation to a new way of working to be more effective, to produce more and reduce the time to the market, the time to deliver. The large backlog ***text deleted for public version*** contributes to a high work load making it more difficult to get new colleagues up to speed. The bottleneck was mainly in engineering because products were not ready for production. The paradoxical part is that the production organisation, as well, increased its staffing capacity but didn't had enough work to execute in a situation with a delivery backlog. Yet, the organisation cannot let people go because the planning showed the ramp-up which was yet to come.

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Although the situation had shifted to an improved order intake for future business, ***text deleted for public version*** Reasons mentioned during the interviews were related to designing and engineering processes which took more time and cost more than anticipated. From the perspectives of the interviewees, this might be caused because there are a lot of new employees who aren't up to speed yet. ***text deleted for public version***

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“one of the causes is bring all the employees to the right level. Something we did have seven years ago when the organisation was way smaller. Secondary phenomenon is that the pandemic came by in a time that a lot of sector specific knowledge left or was leaving the organisation” – Interviewee Bid- & Project Management 2

Also, the geopolitical context cannot be seen apart. An increase in Defence budgets of countries and the war in Ukraine might trigger a future perspective where lots of countries are going to invest in the Defence sector. Another part of the transformation to address the current and future challenges is to be better organised.

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The main problem that is identified and mentioned most often, is the scarcity in resources and specifically resources in people which arose from this changing situation. Increasing the organisations' engineering capacity from 400 to more than 1000 engineers (and counting) is only part of the solution. All these engineers are having their own areas of skills, which are needed for the product development.

"...the challenge is at the same time to be able to deliver, to transform to prepare the future and the upcoming opportunities and to address all the challenges, the improvement and the transformation, that it takes in each and every area of the company." – **Interviewee Country Management 1**

"Yes, it's resources. That's our problem at the moment. We don't have to think about it, even when we have the best plan there is. We don't have the resources to do so." – **Interviewee Finance 2**

The situation with customised contracts, shortage in employees, train new employees, ramp up production processes, transforming to prepare for future business as described above is a possible cause for having a commercial focus in the organisation. Several interviewees described this commercial focus related to the current situation. It is clear that big contracts are signed and must be executed according the agreed requirements. Because of the products of the organisation, the contracts are long-term contracts. Focus is on executing the contract for customer satisfaction. The focus on contract requirements contribute to the fact that some interviewees do not see any tensions or conflicts between commercial and ESG objectives. The focus is on contract execution, and therefore the commercial objectives. ESG is a longer-term trend but the current situation requires the organisation to focus on the short-term.

"But today, we have a contract, and we have to deliver according to the contract. And it's too late, I would say, to take into consideration ESG requirements that weren't taken into account during the negotiation and so on. So, for the delivery, we have to strictly comply with the contract. So ESG, once again, comes in the earliest phases when you have to think about a new product. And after as well in the organisation and so on but it is complicated, once again. If I take another example. We want to be a global player in the world. But at the same time, we are asked to limit our travels. In order to decrease the carbon effect. So those are two things, totally opposite." – **Interviewee Sales 2**

Yet, interviewees do acknowledge an increasing importance of ESG, but the commercial focus is mentioned as barrier to give priority to ESG. Outside of the business, interviewees who are more involved in ESG related execution see that the organisation is making a choice, the choice for the commercial objective. This commercial focus is most of all mentioned as a short-term focus. Another topic mentioned more often are customer requirements inhibiting ESG the current context. Where ESG as future requirement is addressed as topic of importance in the previous chapter, the requirements aren't strongly identified in the sector yet, other the compliance aspects. In combination with the strong performance requirement for Defence products, this mindset inhibits the mindset for ESG integration in the products when it is seen from an environmental perspective. Another topic that is making it difficult to balance both set of objectives, might come from the perception that ESG requirements, or execution of the work it implies, might be considered as additional constraints or work. People might experience it as a burden if they have to design according ESG principles as it makes things more difficult in the design phase. It is an additional constraint in a phase where there are a lot of topics to be dealt with.

“ESG is not that only, but if I come back to the set of transformation that ESG imply, it is a mindset change in some areas. Doing things differently in the design, in the production, in the energy and resource consumption, in the travel use, in the travel habits. That is at the same time a lot of challenges and a lot of priorities as well for the long-term to define. And it can become a bit fuzzy or invisible for people, say ok I have all those priorities for the short-term and I have on top of it all those priorities for the long-term.” - **Interviewee Country Management**

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To summarise this subparagraph, the organisation has to deal with a situation of executing major contracts, with a limited workforce while these contracts require a lot of customisation work. To address this challenge, there are a lot of aspects to focus on as transforming the largest organisational unit, deal with the workload, while there must be time to get new employees up to speed. In addition, the organisation needs to prepare the future as defence budgets are rising. Dealing with ESG aspects is perceived as additional work.

4.2.3 Identified conflicts

This section describes the results of sub-question 1c. The conflicting nature in the ESG and Commercial objectives is mainly found due to the current context the organisation has to deal with. This was mainly discussed by addressing the manifestation of tensions in part 3 from the interviews. Table 4.3 shows the main code used for the results and the amount of times it was discussed in different interviews. The underlying codes are presented in appendix 6.

Category	Main code	Underlying codes	Amount of interviews addressing this aspect
Tensions	Commercial focus	13	8
	Compliance	6	5
	Resources	5	5
	Tension in objectives	30	13
Factors of Saliency	Communication	24	10
	Stakeholder	5	4
	Strategy	10	7

Table 4.3 Used codes for identified conflicts

Due to the challenging situation described in the previous subparagraph, the organisation is experiencing pressure in time, money and people. It's a constant balance between topics of importance. The organisation has to deliver. To address ESG, employees must be made available in other areas. The same resources cannot be allocated to different areas. So, it conflicts when it must address the short-term and long-term at once. Also, it conflicts with current requirements. As contracts take years to prepare and execute, it cannot be changed to new requirements as contract requirement will not be changed. Another example of tension which is felt, is when employees from support functions ask for a contribution to ESG related topics. Yet, first line employees are busy with delivery constraints, as part of commercial objectives and therefore, there is no capacity to fulfil these topics. A compliance risk might occur, because ESG is as well about showing compliance as responsible company. So, the conflict occurs because of the current context, many challenges are present simultaneously in a context of scarce resources. As the perceived focus of a customer in the Defence sector is about performance, addressing other requirements might fall short. Another paradoxical topic is when the organisation wants to be a global player, but ask their employees to limit travels.

Whether it is capacity to spend on ESG, to prepare long term business opportunities or contribution to compliance topics, resources can be planned. A tension isn't necessary when topics of importance or integrated into proposals and scopes of supply. It can be quoted and scheduled upfront. Explicit choices, have to made and scheduled when an organisation wants to address multiple objectives. Wherever ESG related initiatives can be integrated as part of doing business, the organisation has to organise its operations to meet these expectations. The importance of this note is not necessarily because of it will speed up the short-term delivery priorities, but because of the long-term relevance of the ESG topic. If not addressed, you might be out of business as perceived during the interviews.

"You are happy to have a normal design. Not to mention a Ecodesigned version of it" – **Interviewee Product Segment 2**

"It is a bit counter intuitive. This is just, being on time, that is not really helping to be more on time to get ESG. It is more the opposite. It is not a big deal. Just you have to organise yourself, organise your operations to

meet these expectations. It is more the opposite if you don't do it, you are out of business.” – Interviewee

Supply Chain 1

It becomes clear from the interviews that the way the communication is organised in the organisation, contributes to the strong commercial focus. It is perceived that either there was no communication related to ESG objectives, or it only has been addressed to management or only limited to a part of the organisation. It doesn't reach the shop floor of the organisation. On the other hand, the communication regarding the commercial objectives has been key in the organisation. It is all about “*delivery, delivery, delivery*”. Yet, communication is seen as key to address both objectives. As the commercial part has been communicated extensively, a stage must be created for ESG to communicate about the importance of the short- term and the long-term to level the importance of the ESG and business-related objectives and making sure that new employees will start talking about it.

Another aspect, which might partially be related with communication, is the organisation strategy. From the interviews it becomes clear that down the line, a clear strategy, with a roadmap and priorities is essential to balance different objectives. For the organisation, several factors were identified where this strategy is contributing to the difficulty. For example, the organisation is complex in its organisational structure with a matrix structure having country axes and business axes having its own responsibilities. Another topic mentioned related to the structure, is that it is perceived that there isn't a shared view of the importance of objectives between these axes where the ESG topic has more an importance for the country axes and the commercial focus including the difficult context the business axes. Another mentioned conflict with the organisational strategy and objectives is that the operationalisation is missing. It is unclear for employees what the main priorities other than day-to-day activities and how they can contribute to these priorities.

“Because I'm not so sure if from TNL it is clear... I'm not so sure if the vision of TNL is clear enough. What is the dimension of ESG is part of the vision. What is the vision of TNL?” – Interviewee Supply Chain 1

“We can find some objectives of the Group on the intranet. But what does it mean for us? What does it mean for the Thales Netherlands? What does it mean for the Organisational Unit? Even more specific, how can we measure that we are contributing to these objectives from our projects? ... it's only at the start. At the moment, we don't do this”. – Interviewee Bid- & Project management 2

These challenging situations causes a dilemma for the organisation. As mentioned by a Country Management team member, the very challenge is caused by the scarcity in resources, specifically people and skills. With the short-term delivery challenges and lacking of skills how can some expertise be made free to work on longer term topics like design, industry processes. Experts are needed but are busy with delivery challenges.

This is seen as a difficult trade off. A topic of balance and to define in detail what is needed to be done and where to focus the efforts. At the end of the day, it must be made clear what the priorities are for the short-term and what the priorities are for the longer term. Solutions that are proposed to balance this, are roadmaps. Multiple aspects can be addressed on the roadmaps so the game of balancing is addressed in this strategy. And balancing multiple objectives is making decisions in the end. To balance ESG and commercial aspects, an analysis on the organisations' own expectations and identification of topics being already addressed can provide inputs. What can be influenced now and what cannot be influenced. For the short-term, you can have a look at your own operations as there are short-term aspects in ESG as well, either to prepare or to limit the workload of the business. Addressing requirements of customers in relation to ESG is a more long-term orientation as this requires involvement of the business axes. And there where resources are scarce, it's space for management and decision making on how to deal with this. In the current context, it can be considered to make sure that the people experiencing the most pressure, for example there where the bottlenecks are, should be relieved from new topics. This can be seen as determine where which impact needs to be made and possibly the matrix organisation of having country axes and business axes provide an opportunity.

In summary, because of the current pressure in time, money, the organisation is constantly balancing topics of importance. This balancing can cause tensions as trade-offs must be made between short term aspects as deliveries, or long-term aspects as ESG related objectives. Conflicting aspects between the objectives are in the availability of people, the current contract requirements, limiting business travel as global player an unclarity in the organisation strategy and its alignment in the Country and business axes. The tension might be strengthened when it is shared that ESG is important, while the main communication is on commercial aspects. Yet, the main problems are the capacity. And this can be planned when clear decisions are made.

4.2.4 Risk & Opportunity coming from conflicts

This section describes the results of sub-question 1d. During the interviews risk and opportunities were explored. In the potential conflict several opportunities are mentioned as well, mainly for the ESG aspect, but in the interviews risk and opportunity were specifically addressed in part 3 (see appendix 2). Table 4.4 shows the main code used for the results and the amount of times it was discussed in different interviews. The underlying codes are presented in appendix 6.

Category	Main code	Underlying codes	Amount of interviews addressing this aspect	
Opportunity	Opportunity		13	8
	Stakeholder/context		9	9
	Strategy		7	5
Risk	Extra work		4	2
	Risk for organisation or o		10	5
	Positive business aspects		5	4

Table 4.4 Used codes for Risk and opportunities from conflicts

As described before, the focus of commercial objectives is clearly communicated and people are well aware of these challenges. Addressing additional objectives like ESG, can provide opportunities when the conflict is accepted. But these conflicts bring constraints. As a member from the Country Management Team said, *“it is always a trade-off”*. Yet, it is mentioned by the interviewee as well that the constraint is a way to challenge yourself as organisation to do things differently or new. This drives innovation and adds value. To not do this in situation of the organisation, might be an aspect of convenience, as it is the easy way out.

“Because I do believe in the fact that such aspect that sometimes, our constraints, people say we always design this way, why should we do something else. But there are opportunities to challenge our self, to simplify our processes, to do it differently and we need somehow to bring value to such constraints at engineering stage.” – **Interviewee Country Management 2**

As described before, the contracts for the organisation are long-term contracts. To address opportunities product roadmaps can help to take additional dimensions, as ESG, into account. Because as soon as the product is designed, it is more complicated. It has to be anticipated in the early phases when to integrate it into the products. A narrative how we can help customers to achieve their ESG goals is mentioned as opportunity. For example, in noise reduction, to design systems that it can be used in forest area without harming its environment. But, these requirements aren't coming from the Defence sector yet. Although this doesn't help to include additional objectives, it has its own opportunity in it as well. The developments and designs can be executed without a lot of exposure of the outside world. This creates the opportunity to prepare additional objectives without losing a main focus on commercial objectives. Although customer requirements aren't clearly visible yet- or at least, not noted in the organisation-, the Defence sector is preparing itself for sustainability. Mentioned in the interviews, the *Stichting Nederlandse Industrie voor Defensie en Veiligheid (NIDV)*, a foundation to connect the industry, knowledge institutes and the government, has its own platform striving to a stronger Defence sector based on sustainability.

The attractiveness for future generations, being previously described as why ESG is important for the organisation is mentioned as opportunity for the organisation. Although, it is addressed as a necessity. An interviewee from the ESG perspective addresses that for organisations, every point in time requires an adaptation to the context. And the adaptation in the current context is to realise that there is a challenge to address as society, like the climate change. An organisation cannot ignore this fact especially because younger employees expects organisations to address sustainability topics. It is not a nice to have, but a must have. Another interviewee addresses this must have from the perspective of the current context the organisation is facing, with the delivery pressures. The organisation is recruiting for additional skills and therefore, we must address to topic to attract young talents.

“..your context is asking you to do this. This is from the government, from NGO’s, your employees, your customers, your suppliers. They expect you to go along with this development. And every point in time requires adaptation. And the current adaptation is to realise we have a challenge as society, based on the climate change. We cannot ignore this as a company. It is, for our younger employees, to address sustainability. It’s not a nice to have, but if you don’t address it, they won’t come.” – **Interviewee Country Management 2**

“Especially in this context where we are recruiting a lot and where we are really looking for additional skills. This responsibility, especially from the younger generation it is not a nice to have, it is a must have”. –

Interviewee Country Management 1

But the lack of resources cannot be ignored from a risk perspective. As the future is uncertain, the main challenge to endanger dealing with both topics is the availability of resources. Another risk was addressed related to the objectives is the pressure on the workforce. Because of the high workload, the pressure is already high. Addressing both set of objectives, and asking additional actions to address both objectives will increase its tensions and therefore working pressure. More from a strategic point of view, only dealing with one of the objectives, specifically mentioned, the commercial objectives, will address the short-term challenges. Yet, the risk mentioned in this that if the organisation does not, or insufficiently prepare itself relating to ESG topics, whether core business related or not, and competitors did prepare themselves, the organisation will put themselves behind. Seen from a compliance perspective of ESG, the pressures bring a risk when quality and compliance actions are ignored. It may benefit the short-term in time, because the product is soon to be delivered but eventually might lead to a situation with decreased quality of a product which incorporates the risk of getting the system back. Again, although not directly addressed, myopia is identified as a risk as well. Like other topics not directly related to the core business, when ESG is not addresses as of today, no harm will be done. But its mentioned that when this perspective is repeating itself, this will go wrong when you aren’t ready or cannot deliver to the expectations or even potential requirements.

“Yes, you will get behind. Eventually, you’ll be less attractive in the market. You will out price yourself” –

Interviewee Support Function 1

Although not specifically addressed as risk during the interviews. A described uncertainty in the paragraph of the importance of ESG, is the divesting in the defence sector. This might be a risk as it might have consequences for as well as the commercial objectives as well as the ESG related objective. Yet, addressing the responsibilities of the defence sector makes the importance of ESG a potential solution as well as part of the consequence when the risk materialises.

In summary, the main risk and opportunity to balance the ESG and commercial objectives lie in the importance of the resources. Opportunities were described in which ESG and Commercial objectives might benefit or bring synergy, like the future employees find ESG important and might be attracted when performing well to contribute to the commercial objectives. Having a focus on ESG might force an organisation to do something different, driving innovation. Yet, addressing both objectives might increase the workload and a risk occurs for both objectives. Although the future is uncertain, funding might risk the execution of both objectives in the future, while ESG can contribute to mitigate this as well.

4.3 Balancing multiple objectives

In this section the results of sub-question 2 will be described on how can organisation can find a right balance for both of the objectives. During interviews topics were discussed as management strategies, possible outcomes and how the organisation could balance the objectives, mainly in part 4 and part 5 of the interviews (appendix 2). For matters of understanding the situation, this paragraph addresses the perspective of how both objectives are currently managed as well as it should be managed. How it is currently managed is described based on the categories of the defensive strategy and proactive strategy. Table 4.5 shows the main code used for the results and the amount of times it was discussed in different interviews. The underlying codes are presented in appendix 6.

Category	Main code	Underlying codes	Amount of interviews addressing this aspect	
Defensive str	Commercial focus		24	9
	ESG Status quo		23	11
	Strategy		12	7
Proactive str	ESG Status quo		26	13
	Doing both		10	7
	Strategy		9	5
	Uncertainty		9	5

Table 4.5 Codes used for balancing multiple objectives

The interviews identified elements of a defensive strategy in the current way the organisation is dealing with both objectives. Interviewees mention that the main focus is the delivery and therefore commercial objectives. It is seen as a logical choice or even a natural response by some because customer satisfaction needs to be maintained to keep doing business. Regarding the ESG objectives, these are side topics employees have to address who are interested to do so. Yet, a factor contributing to this business focus, mainly for employees directly involved in the business, is because of the long-term contracts. The requirements are set, prices are fixed. So, that's where the focus should be for the current, short-term delivery topics according to some interviewees.

Although the concept of ESG is recognised in all interviews, interviewees mention that ESG objectives aren't clear and that it will become important when there is room after the short-term pressures decrease. Others

don't recognise the ESG objectives at all. The objectives they are familiar with are related to financial targets or growth of revenue.

"As long as we are struggling with these current challenges, it will remain a non-priority topic" – **Interviewee**

Product Segment 2

Yet, ESG becoming more important for the organisation is recognised as well. But for now, with less importance than the delivery objectives because of the current context. ESG is seen as a long-term trend, and now there are short-term challenges. ESG could be seen as a parameter for new developments as this doesn't influence the current contracts.

"The tension is in the fact that we signed contracts with a fixed price, a fixed date according to certain requirements." - **Interviewee Product Segment 2**

"The focus is really on delivering the agreements with the customers. Contractual agreements." – **Interviewee**

Support Function 1

Next to the current context, pushing hard on short-term objectives, having ESG objectives balanced with commercial objectives might be difficult because there is no levelled playing field between the aspects. The Defence sector isn't a front runner on this topic and so is the organisation. Several interviewees mention, and therefore confirm that the topic is really at its starting point. Some acknowledge that several aspects were distributed throughout the organisation and already taken place for the last few years, mentioning a focus on compliance and the reduction of energy consumption from buildings and addressing a safe working environment. But to integrate this in the business at this early stage is difficult as people are struggling with how this can be done.

It's often mentioned that the topic of ESG is addressed because the organisation has to. Being a must. It was described before and is applicable for this aspect as well that this is because of the importance shareholders are giving to this topic and that the organisation needs to have funding. In the aspect on dealing with ESG and commercial objectives, the must for ESG is coming from the Group of the organisation. The Group is pushing it as a topic of high importance as it is included in the Group strategy, presented late 2023. A director from the Country Management team and involved in ESG practices, explains why the importance is increasing for the Group:

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Employees mention in the current approach a strong instrumental focus. Meaning that there are objectives lacking a strong fundament and more related to quantitative targets. The example which is mentioned is the obligation of the share of women in all senior management teams for the organisation. The difficulty was confirmed in another interview, yet, also addressing the fact that in the sector the organisation operates not a lot of women are available. Looking at the distribution of women following a technical education compared to men. Also, for women it might feel if they are being promoted because of the objective. But, this might be the way forward at least to break the status quo.

The starting point is an important factor getting to more accepting perspective of dealing with both objectives at the same time. Simply because it is necessary for funding, necessary to comply with upcoming requirements and because it is included in the Group Strategy.

As described before, it is mentioned that Country axes objectives, like ESG aren't sufficiently connected with the business axes. As the Business Management team doesn't feel these priorities, but they do feel the short-term pressure, it remains difficult as it is perceived in the interviews. Yet, this contradicted in another interview. As another interviewee mentioned that ESG is already part of the Variable Compensation (VCP) of Senior managers and therefore for business managers as well. Although ESG is part of the VCP, this is a choice from the Group, and not from the organisation itself.

Another aspect of this disconnection was discussed in another interview. The connection is now relying on people who are willing to make the connection. This does relate to the perception earlier described that the Country Strategy priorities aren't aligned, at least in a sufficient manner, with the business axes. When the current and possible approaches were discussed, examples of the defensive strategy became clearer. Within the business, examples are mentioned to have some main aspects in ESG to free up some, limited resources, for preparations. Expertise from outside could be added to draft plans regarding ESG, to be executed when the resources are available. But, such approaches aren't known to be applied within business management yet.

Although some characteristics of the defensive strategy were identified, this is as well be the case for proactive characteristics. The interviews made clear that the organisation is not neglecting the fact to balance both objectives. Where the commercial objectives are clear, as it addresses core business to keep the organisation running, the organisation already addresses the ESG objective is well. The interviews mention that several, yet scattered, topics are implemented in the organisation and so the organisation is accepting the tension, as it, for example, costs resources to do so. The organisation is currently having "*pieces of the puzzle*" as mentioned by a Country Management Team member. This is addressed by a manager from the customer perspective as well, which mentions that there is no tension as the organisation already is dealing with ESG, but it is implicitly addressed. The example mentioned is the way the organisation already made investments to reduce its carbon footprint, as for example ways of heating the buildings.

The importance from the Group is clear, as it embraces the importance of sustainability in the new strategic plan. Even more so, it is to find an equilibrium between topics as Protecting the world (regarding ESG

responsibility), become a learning company, growing in the markets and improve the deliveries. Having ESG part of the variable compensation is for the Country management team member a clear example that the organisation isn't opposing the objective and accepts to balance it.

“And by the way, it is an interesting topic because somehow in order to highlight that at Group level and then at the organisation level we are not opposing the two, the three criteria upon which our variable compensation is computed illustrates that we encompass, that - it is the company performance, financially speaking, the individual performance against objectives of the employee – that is normal, and the ESG performance of the company.” - **Interviewee Country Management 1**

For the organisation itself, the Governance part has been integrated for many years. To have this level of maturity in the Environmental aspect of the business axes, is seen as a challenge. Yet, the interviewees who are more involved in the ESG related functions of the organisation, do see that the organisation is starting to structure this topic with dedicated actions. This shows that the organisation accepts the tension to be dealt with and dealing with both. Dealing with multiple objectives isn't new to the organisation. More explicitly, it is mentioned in interviews as a pitfall of the organisation. Wanting to do too many things. This might be related to the fact that there is little known about the strategy or no clarity in the organisations' commitments, as addressed before. One interviewee mentions regarding this topic:

“Because we want too much. So, we do everything a little bit. When I say, on top of the job, it's a job on the side, in addition to the main objectives. You have to make sure that if you want to implement something or you want support, you have to make sure it's there first. So you create a base of, this is part of Thales. This is how we work. This is our vision and this is what we are going to build on. But we are much more concerned with the instrumental side.” - **Interviewee Support Function 2**

In addition, the management team member thinks the intrinsic motivation is present to deal as well with the short-term priorities in the commercial objectives, as in dealing with the long-term for ESG related objectives. The manager mentions that the discussion shouldn't be “or/ or”. It is “and/ and”. Customers require performance regarding safety. But having a straight integration, doesn't have to take more time, or be less safe. It's too often seen as a topic of 'on top of 'everything. In addition, acknowledging the fact that it is a challenge where we have to deal with is important to integrate this into the business.

Another topic to mention with a proactive strategy from a management perspective, is the fact that the topic is discussed with the supervisory board. Yet, becomes clear that it is perceived that it could be discussed more explicitly at this level. But, it is developing and getting more attention. And finding out how to address ESG properly is something multiple organisations are facing. While the topic of ESG integration in business isn't new,

the level of attention has developed over the last few years and many companies try to find their way to address this. Yet, in this current situation, trade-offs are necessary. But these trade-offs can be based on a mindset of how the organisation can limit the pressure on the people with the highest workload, but address the topic in other ways. And the organisation is starting to address this integration already. Yet, mainly driven by the Group. Example is mentioned as the new focus of the group where they obliged the training for all engineers to think about eco in future products. All engineers within the organisation, despite the bottleneck and pressures, follow this training.

From a management perspective, the uncertainty is discussed coming from the current context. Uncertainty of disruptions that can happen in the eco system, uncertainty of the technical results of new developments, uncertainty regarding the speed that the organisation is ramping up for the short-term deliveries. With these uncertainties, it is important to have a clear strategy and clear priorities in order to give some kind of direction despite the fact that a lot of things are moving around. Interesting fact is that it is mentioned multiple times that these clarity in commitment and strategy is lacking. These uncertainties also relate to the economic stability in countries where products must be delivered in a timeframe of five years. The political stability determining if investments will be accepted in the future. These uncertainties are addressed in the projects of the organisation and contingencies are integrated.

“...I think the job of a company, of business management is to 1. Accept uncertainty under some conditions that we need to face and then to manage this uncertainty with risk and opportunities to mitigate it, to anticipate the impact, to reduce the impact and then it diverges to take the right decision. Without being a cowboy, without taking non-documented, non-controlled risk that can endanger too much. But refusing uncertainty, meaning looking for solutions that could cover it all, first of all is an utopia and then it would be absurd. But sometimes you can feel that we want it (to have a solution that can cover it all). And then we are spending a lot of time and energy and resources. In going to a coverage of 99.9% to 99.92%. In some cases, it is absolutely necessary, because it is a clear requirement, or it's a safety requirement and then it is a no brainer. But in some cases, the question is, is it good enough.” - Interviewee Country management 1

In summary, the organisation is showing aspects of defensive and proactive strategies. There is a strong focus on the commercial objectives. Addressing ESG in the organisation is perceived as something at a starting point. The Group is showing a high priority on the topic implementing it in its new strategy, while organisation itself is missing a clear strategy and explicit choices in priorities to ESG objectives. The execution is currently shattered and relying for several aspects on volunteers to align the topic. Yet, investments are made to reduce the carbon footprint and the topic is discussed at board level.

4.3.1 Approach

Where the former subparagraph focussed on the current strategy, in this subparagraph the approach is explored. During interviews topics were discussed as management strategies, possible outcomes and how the organisation could balance the objectives, mainly in part 4 and part 5 of the interviews (appendix 2). Table 4.6 shows the main codes used for the results and the amount of times it was discussed in different interviews. The underlying codes are presented in appendix 6. Coming from the quotations, addressing aspects as clarity in strategy, making choices and setting priorities the codes of Change Management and Leadership were explored as well.

Category	Main code	Underlying codes	Amount of interviews addressing this aspect
Approach	Integration		25
	Doing both		24
	Strategy		23
	Adress ESG		15
	Roadmap		8
	Change Management		13
	Leadership		13
			6
			11
			10
			9
			3
			6
			7

Table 4.6 Used codes for approach

For an approach to deal with the ESG and commercial related objectives, it is seen as something that needs to be integrated. It shouldn't be approached by an organisation as separated elements. Within all levels in the organisation it should be aligned as topics of importance of the organisations' strategy.

When there is a separate plan for the commercial objectives, ESG objectives should have one as well. When dashboards are presented about priorities, it should contain the commercial objectives as well as ESG objectives. Explicitly addressed is the communication perspective. Where there is a clear focus in communication regarding the current pressures, ESG should be communicated to keep the long-term view in mind. Other approaches of integration is mentioned from an onboarding perspective. The main priorities should be discussed from the moment people join the organisation. The main commitments in commercial objectives and ESG objectives should be addressed in all initiatives raised in the organisation. Whether this is a leadership program, a development cycle discussion or the annual objective setting. Clarity in expectations and integrating the main commitments in running programs contribute to clarity in this short-term and long-term commitments as it is continuously addressed as points of priority.

“The ESG objectives and the business objectives to treat that not as separate streams but together. From high to low. So, you make a plan with your business objectives. And you have a plan with the ESG objectives, you have to treat them in the same way. And then it is nice if they are in 1 dashboard or in 1 document or in 1 plan. You end up with integrated reporting. And treat them in such a way as equivalent. That is the opportunity I see”. – Interviewee Support Function 1

“... I still believe that a number of things have to be inherently in your processes and in your in your product policies. And so, you have to see those making that operational translation. If you do that, then it has become part of the work.” – Interviewee Bid- & Project Management 2

Another perspective is shared by seeing ESG integration from two perspectives. The short-term gains are in operational processes as the buildings we use and production process machinery. The second, longer term oriented, perspective is in the designs of products. While this is more difficult, this is the major opportunity of integration. In the interviews it is mentioned that preparations have been started regarding these initiatives. Examples are the eco-design training sessions and an initiative to integrate an Ecodesign methodology for new products. Successful integration in the product roadmaps contributes to a positive discriminator for sales purposes. Execution of these Ecodesign products might contribute to this aspect. Significant to mention is that in internal interviews it is mentioned multiple times that ESG is currently seen as side topic, mainly relating to this as weakness. In contrast, **text deleted for public version**

Another topic of importance on how to balance ESG objectives and commercial objectives is to set priorities by organisational management. To make it clear what the main commitments are. This is essential because if management doesn't prioritise employees will get lost. ESG needs a perspective of opportunity. Like using Ecodesign to be innovative and having an advantage from the competition. Aligned with setting priorities from organisational management, the leadership component is addressed. Having a topic as ESG to be put on the agenda in times of a challenging context, it is essential that the CEO addresses the importance. The CEO should share the message, get into contact about the topic with the departments.

“Because when everyone sees that the CEO finds it important, they will say: what I'm I missing?” -

Interviewee Country Management 2

Where ESG is mainly seen from a country axes priority instead of a business axes perspective, the priorities needs to be aligned. It is mentioned that “the construction” – meaning the organisational structure and operational model - might be a cause of confusion as well. Where the business axes have a strong focus and pressure regarding the short-term commercial objectives, the country axes address the importance of ESG related topics additionally, which might cause confusion on the shop floor. To balance ESG objectives and Commercial objectives, it's important to bring clarity regarding the short-term and long-term commitments by operationalising the main objectives and address how specific department contribute to the objectives or “*what is means concretely*”.

“Actually, I mentioned the solution before. I really think that we should operationalise the objectives. What does it really main for the main activities in your organisation?” – Interviewee Bid & Project Management 2

These examples of operational translations of objective isn't clearly addressed throughout the organisation. To gain more clarity in operational translations, the topic should be mentioned in product strategies, as this is where people directly are working on. This is specifically addressed for an example regarding Bids- & project management processes. In preparation of bids and projects, the Project & Bid managers must show how they are going to reach the required profits, how responsibilities are distributed in the teams. While these topics contribute to commercial delivery objectives, the organisation implement an additional requirement to let Bid and Project managers think how they contribute to the ESG objectives.

This unclarity in commitments and strategies is recognised by management. Being able to address both objectives, a member of the Country management team mentions the importance of needing a clear strategy that can be communicated and understood the employees. A clear roadmap having clarity can help to achieve this. There are topics where we can have short-term results for the commercial perspective as for the ESG perspective, like the reduction of energy consumption. But it is recognised as well that some areas the organisation needs to be clearer on the strategy and ambitions itself and the roadmap to how to implement this into the organisation. Essential, as specifically mentioned, is down to communication of what the strategy is in the context of the commercial, short-term challenges in respect to the topic of ESG. And this is about setting priorities, explicit choices.

“What we need to make it is a clear strategy. That can be communicated, that can get buy in, that can be understood. The bottom line is a clear roadmap. We need to go from, especially in some areas where today we have results. In Energy Consumption, CO₂, as mentioned. But there are some other areas where we have to clarify our ambition. And the implementation roadmap. There are some areas where we can be clearer on the strategy itself. And then we are down to the topic of communication. What is our strategy in the context of the short-term challenges with respect to this and this topic in ESG. And then, it is about what are our priorities again. Explicit choices.” – **Interviewee Country Management 1**

Another employee emphasises that an optimal equilibrium, will not be obtained. Finding a balance is reshuffling priorities until you come to a situation to address the other commitment. Yet, doing both is a matter of scheduling and planning. As the organisation has its own process scheduling resources, budgets. The main commitments should be taken into account during these processes. Helping to address to balance the topics at an equal level, is to be able to treat them equally. The proposal is mentioned to make it quantifiable. In the end, the organisation has to do business. The short-term and commercial objectives have clear financial impacts. The discussion is difficult when you want to balance it against something intangible. While many interviewees were discussing making explicit decisions, decisions needs to be based on something.

“I think you always have a mix of objectives and you will almost never get into the situation where you have that that that the balance is complete, that you address all your different objectives, let's say equally or make them equally heavy. Yes, and that means that we are now maybe relative to, let's say making sure that we become sufficiently profitable again or that put a lot more pressure on some aspects that you wouldn't actually want to put that pressure on.” – Interviewee Bid- & Project Management 2

Because of the current context, the organisation must prevent to put additional pressure on employees which already have a high workload. This might lead to a situation where the organisation can lose people. This is a matter of trade-offs and to see how the people with the highest workload might be relieved of some new topics. During the discussion this led to a possibility to relieve the business axes, where it's under pressure the most, and let the supporting functions prepare the ESG objectives as something to address as well as the commercial objectives as the ESG objectives.

“ ...But that we have to make trade-offs and see what to do, what not to do and in what way? How can we spare the most heavily burdened people some more, but can we push other things through... perhaps, in the short-term, we now need to make explicit choices to allocate some work to the support functions and to relieve the organisational unit. – Interviewee Country Management 3

Several respondents refer to the importance of Change Management practices to be able to address ESG in the organisation. This is partly because of the *“transformation that ESG imply”*. Referring to a mindset change which is needed in some areas, a change in doing things differently in the design of products, in the production processes, in energy and resource consumption, in travel habits. These changes in a time of *“a lot of challenges”* referring to the challenging context it becomes *“fuzzy or invisible”* for people. Another interviewee refers to change management because ESG implies improvements. And improvement requires change and a willingness to change. Examples are mentioned relating to environment with the elimination of hazardous substances and Diversity and Inclusion to not keep a conservative mindset to old habits. To do this it is essential that the change is shared and explicitly address why the change is necessary to gain support from the organisation. The importance of support for a change in the difficult context was confirmed in another interview. This context is making it difficult because it requires time because people have to address their practices in another way. And this other way has to be understood. The core of change, according to the interviewee is to bring clarity, for example how a roadmap is made towards the goal. A respondent from the organisational Management team refers to an initiative regarding the current transition of the main organisational unit, the Think Big, Make it Happen, Together (TMT)-program. Experts advised the organisation for this transition and mention one of the success factors of change is commitment of top management in de organisation. The top of the organisation should embrace the objective. This is a momentum the organisation has in its favour at the moment.

“What’s very important in this is that you indicate we are going to change the organisation. And we are doing that for this reason and that is why. So, in that process, you could already include and explicitly name the ESG objectives. And thus, create support. Because I think it’s also important to say that for ESG objectives you need a lot of support from the people. Because ultimately, the people will determine to what extent you will be successful in the ESG field.” – **Interviewee Support Function 1**

In summary, to balance objectives ESG and commercial objectives should be integrated into standard processes. To do this, the strategy of the organisation must be clear based on the main priorities and commitments. Departments need clarity how they contribute to this strategy, based on operationalised objectives. Clarity in the current strategy regarding the main commitments is currently missing. Explicit decision making in budgets and planning can address the main commitments. To execute a balanced approach, departments having the highest pressures must be relieved. Change management is needed to address the change in mindset and doing thing differently.

5. Synthesis

In this chapter, the results from the interviews will be combined with the theoretical framework and additional literature to gain a better understanding of the aspects found in this research. The chapter serves as an evaluation of the main results. First an overall summary is presented and the main aspects are elaborated based on literature. Then, structured around the elements of the Dynamic model of Vigorous Change (ten Have et al., 2011) the results are diagnosed to provide a practical approach on how to deal with multiple objectives.

5.1 Summary of results

The following framework provides as summary of the results and is used for the evaluation in this synthesis

It is found that the importance of ESG comes from an increased expectation of stakeholders. Specifically, because it is necessary to keep getting funding in the future, it provides motivation for the workforce and helps to attract and retain talent and is expected to be expected by customers in the future.

It is difficult to balance the objectives because the major contracts signed in the past and the scarcity in resources to execute the contracts. These contracts contribute to the workload and time is scarce to get new people up to speed. The current contracts don't focus on ESG related objectives. Addressing ESG objectives is perceived as additional work. The availability of people needed to work on both objectives is conflicting. Eventually, the main conflict is identified in preparing future aspects while the pressure is on the short-term aspects. ESG brings the opportunity to address the scarcity in resources and it drives innovation. Yet, in a situation of limited resources addressing both objectives might increase the workload and a risk occurs for both objectives. Although the future is uncertain, funding might risk the execution of both objectives, while ESG can contribute to mitigate this as well. In the current strategy the main focus is on the short-term, commercial objectives and it is communicated this way. The organisation is missing a clear strategy and explicit choices in commitments. Currently, several investments are made to perform on ESG, but this is scattered throughout the organisation. An integration in standard processes of ESG would contribute to a more balanced approach. Therefore, the strategy must be clear and objectives need to be operationalised for departments to contribute. Explicit decision making is needed for clarity. To execute a balanced approach, departments having the highest pressures must be relieved. Change management is needed to address the change in mindset and doing thing differently.

The following elements are identified as main aspects to deal with conflicts and tensions in coming from the results.

- Motivation to address the scarcity in resources
- Clarity in Strategy
- Decision making
- Communication

Some concepts were introduced in the interviews or trigger for further understanding and were related to these main aspects.

Motivation and resources

The topic of the lack and need of resources is addressed in multiple parts of the interviews. It confirms aspects in the theoretical framework where ESG as driver for motivation and attracting talent has been described by Henisz et al., (2019) and Książak (2017). Where in interviews is referred to this hygiene factor as a 'must have' in a company, comparable with a good salary, it is further elaborated in the motivational theory of Herzberg. Acquah et al. (2021) describes this theory in a literature review on theories of motivation that some factors cause job satisfaction. These factors are referred to as Motivational factors and deal with factors in the job. Other factors, hygiene factors, cause dissatisfaction - more explicitly - no-satisfaction and are factors defining the job context. Taken from the interviews, perform well on ESG aspects is a topic that is expected to be present, especially for future employees. The importance of ESG for future generations is confirmed in a study of Jiang et al. (2020) where they found that millennials and Gen-Z will join the workforce over the coming years placing great importance on environmental and social concerns. These generations will expect more from employers on these issues than earlier generations. Moreover, good motivation leads to better performance, which subsequently can improve the performance of the organisation (Kuswati, 2020). This is working both ways. Jiang et al. (2020) found that organisations with highly satisfied employees are having better ESG performances than the global average of employers and that these employees work harder, retain at the organisation longer and produce better results for the organisations.

Drivers and inhibitors

When the findings are assessed against the proposed model, several drivers are mentioned. Gain competitive advantage with Ecodesigned solutions in Western countries, establish sustainable strategies to create value as the importance is stressed to show how the sector contributes to a safe and sustainable world, cost reductions because of lower energy consumption, productivity uplift mainly by retaining employees but moreover to motivate them are examples in which commercial and ESG objectives benefits. Internal documentation confirms Ecodesign being a key differentiator in offers and strengthen business development in solutions through a position of responsible partner and increase of the value proposition of solution (Thales⁴, 2023). The compliance risk isn't addressed, but it is clear that complying with the European Legislation will make sure it is a topic to address. Governance is discussed as a mean to decrease reputational risk and not as much from a perspective of improved reputation.

Strategy and decision making

The results indicate that there isn't a clear expectation of customers regarding ESG at the moment, but it is expected to become an expectation in the coming years. ESG is mentioned as opportunity for future business and the defence sector is showing developments. Moreover, the Dutch Army connects climate change to influencing peace and security in countries and therefore to contribute to their societal responsibility by focusing on climate change based on new requirements in their real estate activities, being independent from fossil fuels and working towards zero waste or reuse of raw materials. To achieve these goals, they focus, amongst other topics, on their materials during operations (soldier equipment, vehicles and logistics included) and therefore mentioning an opportunity where the organisation can contribute to (Defensie.nl, n.d.). And in their vision towards 2035, the Ministry of Defence of the Netherlands addresses the developments which affect the purpose of securing the Netherlands. Examples mentioned are the Independence of energy to enhance security (also in mission areas) to have operational advantages, extreme differences in temperatures to affect equipment and personnel and an increased demand for humanitarian aid and disaster relief. Discussions are being held and the outcomes will partly determine the consequences for the future, e.g. translation into society, legislation, regulation to affect society and Defence (Ministerie van Defensie, 2020). So, in their strategy perspective it is addressed.

The interviews indicate lacking clarity in strategy and decision making and a strong commercial focus. Difficulties in strategies, dealing with complexities of having many interconnected parts and variables to manage isn't a problem only applying to the organisation. *"Three out of five companies rate their organisation as weak on strategy execution"* and understanding what it takes for organisation to execute the strategy is an essential step in its execution (Chamorro-Premuzic & Lovric, 2022). Vermeulen (2017) describes that many strategies fail because of the lack of a clear set of choices and missing what an organisation is going to do and what it is not going to do. Therefore, the operationalisation mentioned in the interviews should be seen from a strategy stand point, to bring clarity where the organisation wants to go and how they are going to do this. A scarcity of resources is just a variable to consider in what to do and what not to do, simply to determine if it's feasible.

5.2 Diagnosis

Rationale

The rationale is the first element from the Dynamic model of Vigorous Change (ten Have et al. 2011). It concerns the motives to hold ESG objectives and Commercial objectives as productive tension. This can be derived from the challenging context in which the current starting point of addressing ESG can make a next step towards a more balanced approach. ESG is at its starting point and needs to be supported because of the current commercial focus. This starting point is about doing something different and ESG is discussed as improving as organisation (e.g. for environmental or societal matters). In addition, the results make clear that addressing ESG is acknowledged as an important long-term topic for the organisation, but doesn't get the attention what is

needed because of the short-term pressures. The main aspect, mentioned from the interviews for the rationale is the importance is to address resources. Which might benefit the current context and the long-term context.

Evaluation of rationale

Ten Have et al. (2011) mentions myopia as failure factor in this element, addressed as the inability to establish a clear vision towards the future. This corresponds with the findings of the current commercial focus and one-sided communication in the organisation and a clear communication of both is needed. This can be related to the starting point to start bringing clarity in the ESG objectives additionally to the commercial objectives.

ESG as expectation of stakeholders has been discussed in the results. The motivation was further elaborated based on literature which might indicate it contributes to motivation and organisational performance. It must be said that although ESG might contribute to become an interesting employer within the high-tech labour market, it doesn't address the difficulties to get new employees directly up to speed. To conclude this element, to start a balanced approach in ESG objectives and commercial objectives ESG objectives must be supported and can benefit the scarcity of resources.

Effect

The second element, the intended effect can be based on advantages, disadvantages, positive results and/or negative results (Otto & ten Have, 2012). Addressing factors as advantages or positive results and feeling themselves concerned will help to bring people on board of the change (Ten Have et al., 2011), in the case of this research a situation with a more balanced approach. This effect is partially derived from the purpose of the research, finding a balance between the longer term ESG objectives and short-term commercial related objectives. In addition, the identified risk and opportunity and aspects from the importance of ESG indicate effects as well. These effects, presented in table 5.1 might help to bring people on board when they are concerned, can contribute to share these advantages of positive results. The justification in the table is based upon the results for diagnoses.

Effect	Justification
Reduce reputational risk	Employees not wanting to work for an organisation with a bad reputation. Contributes to retain employees.
Retain employees	Reduced reputational risk and the importance (young) employees are given to the subject of ESG for their employer.
Funding from financial institutions	Investors divesting in non-responsible or even Defence organisations
Positive discriminator for competitiveness	Integrate ESG in business and products might have the potential to distinguish yourself as company from you competitors.
Being prepared for customer developments	Being ready when the customer is asking for it in the future. Towards 2035, this might become relevant as identified in the Vision of the Dutch Army (Defensie.nl, n.d.).
Operational benefits as reduced costs	Reducing energy consumption leading to cost reduction

Drive innovation because of new ways of working	Addressing the constraints of ESG or doing something new is a way to challenge yourself and do something differently, driving innovation and adding value.
Contributing to organisation strategy and objectives	Operationalised objectives and a clear strategy indicate what people can do themselves for as well as the ESG objectives as the commercial objectives
Diversified aspects for problem solving	Having a sufficient level of Diversity and inclusion brings new perspectives to solve problems.
Effect of risk: High workload for employees	Addressing ESG to parts of the organisation under pressure brings additional workload

Table 5.1: Identified effects

Evaluation of effect

Several of these effects have either been described in literature or addressed by internal documentation. The internal market analysis of the organisation, as described before, showed that 50% of investors wanted to divest if an organisation doesn't take sufficient action regarding ESG and the emphasized important for the Defence industry (Thales³, n.d.). The aspects of motivation coming from Corporate sustainability has already been described. The operational benefits are presented in the proposed model based on Henisz et al. (2019) and Książak (2017).

The importance of Diversity & Inclusion for the organisation was discussed, and even in one of the interviews it was mentioned that it was supported by academic literature. Although benefits coming from diversity & inclusion as *"improved creativity and problem-solving"* was described by Rohwerder (2017), she also states *"the evidence on the impacts of diversity and inclusions appears to be mixed and inconclusive"*. Ely & Thomas (2020) address as well that there is no support coming from research that diversifying the workforce leads to an increase in performance for organisations. Yet, they describe that organisations limit their innovation and improvement capacities when there is no equality. For having a benefit out of diversity, organisations must build a culture of equality as fundament. It is clear that Diversity & Inclusion can be seen through various of lenses, from a gender perspective, to an age perspective and nationality perspective to mention examples (Farndale et al., 2015). Therefore, it goes too far out of scope to validate these perspectives in this research. To conclude this element, the intended effect is to come to a balanced approach between ESG and commercial objectives. As ESG is at its starting point, the identified effects in table 5.1 can contribute to bring people on board to participate.

Focus

This element of the model relates to the direction of motion towards a desired state related to formal and informal frameworks. The tension of the balance between ESG and commercial objectives wouldn't be productive if the importance isn't stated in the organisational and business axes as these are formal structures to address the organisational strategic topics. The results show that these structures might cause confusion amongst employees or missing alignment in the main strategic objectives. Otto & ten Have (2012) describe employee

appraisals as form of a formal structure. In addition, the importance of leadership might be applicable for the organisation as well (Ten Have et al., 2011) as described in the results top management has to bring clarity in the strategy and commitments. Another aspect mentioned in the results is about the operationalisation of objectives, making the objectives explicit for employees on how to contribute. Mentioned in the results, a roadmap for the strategy, objectives and how to achieve them might bring clarity in the commitments. Another way to address clarity throughout the organisation was mentioned in the onboarding practices and the development cycle discussions, which relates to the appraisal system of the organisation.

Evaluation of focus

The ability to change stimulating conditions – in rewards for example – is a success factor as mentioned in the Dynamic model of vigorous change. This fits the description of making objectives, for example the importance of ESG as well as the commercial objectives, clear in the appraisal system (Otto & Ten Have, 2012; Ten Have et al., 2011). Another is the ability to create role models (Ten Have et al., 2011). This fits the importance of leadership as described in the results. It is also something the well-known change model of Kotter (1995) describes. Another aspect in literature is Risk Leadership (van Staveren, 2018). From this aspect, the explicit choices are necessary to bring clarity, but also to deal with uncertainties which come from these choices. Dealing with both objectives, whether in a balanced approach or separately, brings aspects of uncertainty for the future that might disrupt an approach. Explicitly discussing the uncertainties coming from the objectives and make choices on how to deal with the uncertainties, must be of continuous focus throughout the execution. An important aspect in risk leadership is to be a role model. The role models don't necessarily have to be a member of top management, but can come from first line employees as well. The main aspect is to discuss the uncertainties in a realistic, structured at explicit way. Risk leadership also addresses a topic of decision-making regarding uncertainties revolving around objectives. From a risk leadership approach, uncertainties must be discussed, made explicit and classify them afterwards. Comparing the insights with the importance of the objectives and the willingness to take the risk might be used as an approach to make explicit choices (van Staveren, 2018). Therefore, this classification can be used as fundament for decision making. To conclude, the motion should be guided by having an aligned commitment of the strategy throughout the organisation. Existing structures as development cycles contributes to make employees contribution specific.

Energy

Energy relates to inspiration, motivation and influence for people to contribute. Scarcity of resources is a common tension in this situation (Otto & Ten Have, 2012; Ten Have et al., 2011). The motivational factors have been described before. As described in the results, balancing the ESG objectives and commercial objectives in the organisation is no exception. To address energy, positive and negative capabilities are necessary. The first is about being able to manage the change or process to get to a balanced approach (Otto & Ten Have, 2012).

The latter refers to the ability of employees to tolerate paradoxes, ambiguity and the feeling to have influence based on their own actions (Otto & Ten Have, 2012; Ten Have et al., 2011). The ability of employees to contribute to balancing the objectives wasn't a part of this research. From an organisational point of view, it can be argued based on the results that employees need to be given the ability to sufficiently address ESG developments like Ecodesign as well as dealing with the short-term delivery actions. As described before, operationalisation of objectives might bring clarity on how employees can influence this aspect. From a leadership perspective, leaders have a role to inspire and motivate. The results describe the importance to plan resources properly for the ESG objectives as well as the commercial objectives. From the perspective of this element, planned resources is the starting point to give employees the ability to spend time on for example Ecodesign training initiatives and dealing with commercial initiatives. The finding of the one sided communication cannot be ignored in an element to inspire and influence people. Clear communication throughout the organisation of the commercial objectives and the ESG objectives in a balanced perspective should be improved as the communication has too much of a one-sided narrative now.

Evaluation of energy

As Smith & Lewis (2011) discuss the importance of cognition and rhetoric to draw attention to tensions and make latent tensions explicit, it could be argued that the focus in communication is on only one of the poles of the tensions, the tensions will not be recognised and accepted. Therefore, this wouldn't spur a virtuous cycle which is important for a balanced approach. Although a cognitive approach can be used with paradoxical framing to focus on multiple objectives, the organisation only highlights the commercial objectives. Therefore, awareness needs to be increased regarding a both/and approach and it currently doesn't contribute to the necessary condition to manage the tension and conflicts (Vallaster et al., 2019). To hold both of the objectives, ESG needs attention for an aligned communication. It can be argued that to inspire, motivate and influence can be closely related to the ability of stimulating conditions, described in the element of focus.

Connection

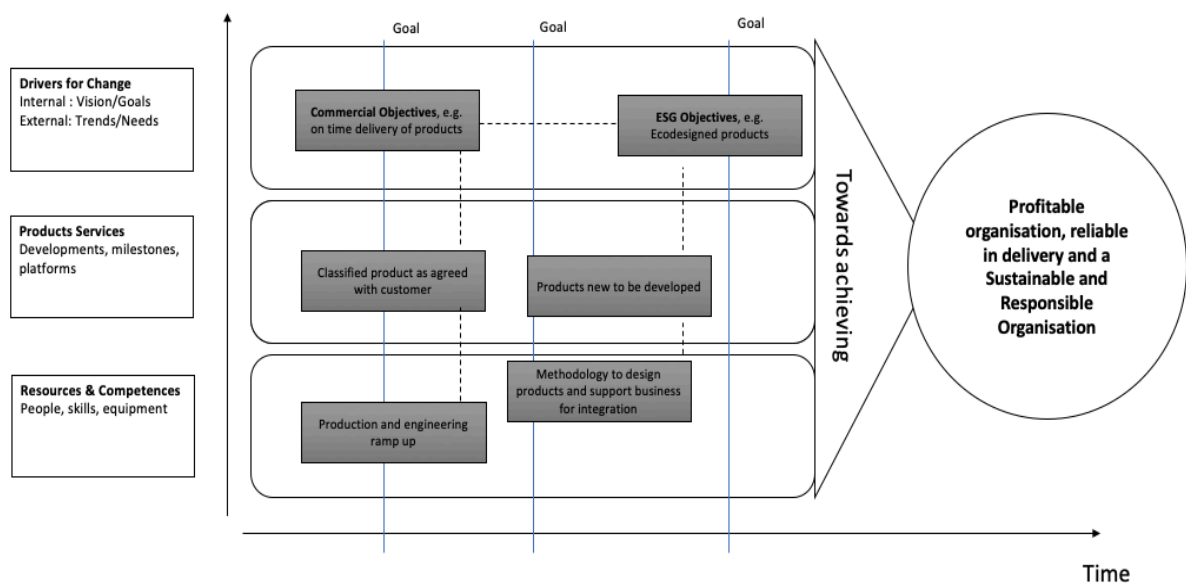
This element is based on the aspects identified from the results as described in the elements. Important failure factor is a splitted approach because of internal politics or power. Succession factor is a positive relation between organisational values and the values to come to a balanced situation. Another succession factor is leadership to share a compelling vision and to activate the organisation (Ten Have et al., 2011).

To combine elements as the starting point of ESG with the current challenges (rationale), working towards a balanced approach to keep funding in the future and/or to be ready to distinguish yourself in the market (effect), communicate a clear strategy throughout organisation (focus) and be able to schedule resources and motivate the organisation (energy) a strategic roadmap provides an approach. The roadmap, as described

by Siebelink et al. (2021) addresses aspects as resources, communication and strategy, which relates to the results of this research.

Siebelink et al. (2021) described an approach to deal with short-term and long-term challenges. A roadmap can help to balance decision-making. By making long-term and short-term aspects concrete and visible in time, it enables an organisation to have coordination between a vision in the future, keeping sight of a final destination and the route how this can be reached. Thus, it provides opportunities for departments to connect to a future situation at different points in time. Addressing how departments can contribute to this future situation, can be motivating. The roadmap ensures that current resources focus on short-term priorities. But by understanding the desired situation, the roadmap provides direction for progress and recognising paths that connect current work with the future situation. This helps balance short-term and long-term orientation and making it scalable and make it specific how priorities are positioned in time relative to other priorities. The scalability ensures that the right resources are available at the right time (Siebelink et al., 2021). A roadmap helps to make logical connections between activities and ensure that the right activities are carried out at the right time. Here, whether an individual's behaviour is in line with a strategy depends on the level of understanding and commitment to the goals and priorities. Therefore, a coherent picture is important in which the elements complement and reinforce each other. The multidisciplinary integration of the roadmap contributes to this by requiring an understanding of the internal and external drivers, as well as the resources and competences needed. Involving employees from different backgrounds in this creates a coherent action plan. A lack of knowledge or understanding of business strategy creates a gap between expectations of a strategy and performance in reality. Strategies are often abstract, wrapped in objectives, concepts or wishes, which are difficult for employees to translate into concrete actions. Consequently, communicating them in such a way that they are clear is a challenge. The visual representation of a roadmap helps to ensure that it can be

Figure 5.1 Simplified overview of a roadmap, drafted by author, based on Siebelink et al. (2021) and Hofman (2023).



communicated easily and comprehensively, creating logic between the long-term goal and the expected actions (Siebelink et al., 2021). Based on the results, it is clear that the current commercial objective is having the main focus for the organisation. Therefore, the matrix organisation might be used to its full potential when corporate functions prepare the roadmap and integrate the business axes in the execution when the backlog stabilises. In figure 5.1 a simplified example is depicted to bring clarity in the roadmap, fitting the process of Siebelink et al. (2021). It must be clear that the proposed topics aren't new for the organisation. But this integrated approach brings clarity in the commitment of ESG and Commercial related objectives and represents the balanced approach to keep the differentiating pattern.

The table underneath provides a brief overview of the main elements of the diagnosis based upon the described results.

Element of Dynamic model of Vigorous Change	Main element from diagnosis
Rationale	<ul style="list-style-type: none"> • A balanced approach to support the starting point of addressing ESG in a challenging context with clear, communicated priorities. • Addressing resources has its importance for the ESG objectives as well as Commercial objectives
Effect	<ul style="list-style-type: none"> • A balanced approach having ESG on the agenda within the current context. • Identified (positive) effects to bring people on board (see table 4.1)
Focus	<ul style="list-style-type: none"> • Top Management bringing clarity in strategy and commitments • Operationalise objectives to bring this clarity to employees • Use formal structures as onboarding practices and development cycle discussions to address this clarity
Energy	<ul style="list-style-type: none"> • Plan resources in budget cycles to spend time on ESG activities • Communicate priorities of ESG objectives and the Commercial Objectives
Connection	<ul style="list-style-type: none"> • Combine elements in a Strategic Roadmap to deal with conflicts and tensions in ongoing shifts bring simultaneous attention over time as the roadmap helps to balance the short-term and long-term orientation

Table 5.2: Overview of main elements in the diagnoses

6. Conclusion

This chapter aims to answer the research questions drawn up for this research. Conclusions are drawn based on the results and synthesis. Subsequently, this chapter describes the recommendations, the discussion and the academic and managerial contribution.

6.1 Conclusion

The research question for this research was:

How can an organisation achieve its ESG objectives whilst the short-term commercial objectives can be achieved as well?

The results of this research make it clear that ESG objectives are of importance for the organisation and this is acknowledged. Addressing sub-question 1a, the research showed the importance of ESG and factors that were related to the proposed model of drivers and inhibitors. Examples of these drivers as identified are to gain competitive advantages with Ecodesigned solutions in Western countries or cost reductions because of lower energy consumption and retaining employees. The increasing expectations of stakeholders is the main aspect why ESG is important for the organisation. As result for sub-question 1b, the current context with a strong focus on short-term delivery objectives for the major contracts is making it difficult to balance ESG and commercial objectives. This challenge is aggravated by a situation in which the organisation needs to upscale its workforce to execute the current backlog of signed contracts. The result of sub-question 1c showed that these causes conflicts as the resources needed to execute the backlog are needed to contribute to ESG related objectives which are important for the long-term for the organisation. Also, the conflict is addressed between the short-term and long-term. Trade-offs must be made in either setting resources to these short-term delivery aspects or the longer-term preparation for the ESG objectives. Strong communication regarding the importance of the short term, commercial objectives, might hinder a more balanced approach regarding ESG as it increases the focus on the short-term, commercial objectives. These conflicts involve the dilemma of dealing with these complex situations. Addressing sub-question 1c, the dilemma holds opportunities as future generations and employees, needed to contribute to the current challenge, find it of increasing importance that organisations perform well on ESG aspects. But addressing both objectives in the current context might increase the workload for the workforce. Yet, only focussing on the current agreements in the contract but insufficiently prepare the organisation for future markets where competitors might. The research showed a risk regarding divesting in the Defence sector. This might influence future funding. It can be argued that this might affect the ESG objectives, as well as the commercial related objectives. Yet, addressing ESG can be seen as an opportunity when it is focussed on the positive role of the Defence sector in stability and therefore sustainability. Defence organisation can take their part to emphasise this positive role. Further the risk and opportunities are mainly related to resources.

Sub-question 2 described how to find a right balance in dealing with both objectives. An approach is needed where the main priorities regarding the ESG objectives and the Commercial objectives are integrated and communicated as clear commitments for the organisation. Integration in processes, running programs, and onboarding- and development practices. The commitments must be clear in the organisations strategy where it must be addressed what it means for departments or employees themselves how they can contribute. In the current situation the strategy is perceived as unclear.

To bring clarity a roadmap can make the priorities visible in time and easy to communicate. To take the current context into consideration, explicit choices from management is essential and trade-offs must be made. Continuously discussing the uncertainties revolving around the objectives, can contribute to make explicit choices from a Risk-Leadership perspective (van Staveren, 2018). As the roadmap addresses the main objectives in time, the organisation can work in a differentiating pattern, addressing the short-term challenges, without losing the long term out of side. This enables the organisation to learn over time to cope with paradoxical nature of objectives and integrate them over time.

To conclude, it can be argued that several factors are identified showing the importance of ESG for the organisation but the focus is on the short term. This short-term focus is making it difficult to come to a more balanced approach and tensions might arise when resources needs to be allocated. To achieve the ESG objectives as well as the commercial objectives the organisation should work towards a balanced approach for these objectives. The commercial objectives are addressed in an explicit transformation, but ESG, at its starting point must be made clear. ESG can contribute the motivation of the workforce and attract employees. This addresses the scarcity in resources. Explicit choices are necessary based on a clear strategy of the main commitments. Elaborating on the proposed roadmap will help to clarify the strategy and how employees can contribute to it to achieve the ESG objectives as well as the commercial objectives and enables to organisation to communicate their strategy adequately.

6.2 Recommendations

To help the organisation to address the challenge in practice, several recommendations can be made based on the results of this research. Because of the limited timeframe of the research, the recommendations are drafted by combining the results and practical knowledge of the organisation. Further implementation and its feasibility, e.g. in relation to the costs and its timeframe, should be studied further internally.

- It is recommended to further detail the proposed strategic roadmap as depicted in figure 5.1. From an organisational point of view, the roadmap is the result of the explicit choices for the organisation and helps to address resources to both objectives over time. This roadmap should combine the recommendations as described below in its execution for an integral and monitored approach. This roadmap should be based on the commitments of the top management. These commitments should be

addressed in the budget cycle practices. To draft the roadmap, a facilitator can be appointed, but top management should validate the roadmap as fundament for the execution.

- The organisation should improve the clarity and operationalisation of its strategy regarding the ESG objectives and commercial objectives. This research doesn't judge the current strategy, but the results show a perceived lack in clarity of the strategy. The organisation should make choices on their commitments and operationalise what the role of the different departments is in the execution of the strategy. The choices must be made by Top Management. Departments themselves should provide input to the aspect of operationalisation, as they are having the expertise of their focal area. The operationalised objectives can be monitored by using formal structures as development discussions. The top commitments should be aligned for the Country Axes and Business Axes. This recommendation should be addressed in the current strategy practices. The operationalisation can be distributed to the teams of the top managers. It is recommended to initiate a 'commitment review' one year previous before starting the execution, so budget can be planned and sufficient resources will be available for the execution.
- A communication plan should be drafted by the organisation with a clear commitment from top management. As the commercial objectives are strongly communicated, the main focus should be placed on how the importance, and the contribution of departments can be communicated. The ESG program team within the organisation can provide a communication plan based on the top commitments of the organisation.
- As both of the objectives need to be addressed in the current context, bottleneck departments should be identified to see whether these can temporarily be spared because of the working pressure. The roadmap enables the organisation to bring them onboard in time. As this bottleneck is mainly found in engineering, the engineering manager should have the responsibility to steer this initiative.
- As the world isn't standing still and uncertainties are present, a periodic dialogue regarding the uncertainties in the strategy of managing and execution of ESG and commercial objectives enables an organisation to deal with the uncertainties. Dealing with uncertainties, fitting the Risk Leadership concept, is making explicit choices, whether it is accepted, treated or terminated. These choices bring clarity. It's essential that the execution of the strategy is monitored by top management, having the ability to guide and steer the organisation. This dialogue could be integrated in the standard strategy meetings of the top management. As the concept is new to the organisation, the dialogue during this meeting should be guided by a facilitator having knowledge of the concept. Execution of the concept should be integrated in the standard practices to prevent new processes. Essential for the follow up and monitoring within the management team is to appoint the responsibility to the manager who is responsible for the strategy execution process within the top management.

6.3 Discussion

The designed model (figure 2.3) was used for this research and gained insights in a practical approach for the organisation and the use of the model itself. To reflect on the use of this model, it became clear that participants found it difficult to provide a sharp representation of paradox based on the definition of Smith & Lewis (2011) used in the Dynamic Equilibrium Model. Although it was expected that the role of paradox would have been discussed extensively, respondents sometimes seemed to provide answers as though both topics are topics in parallel to address by the organisation, instead of addressing the paradox. As topics were discussed related to decision making and trade-offs, this could also indicate a dilemma differing from a paradox based on the literature of Smith & Lewis (2011). Also, during the discussions, the complexity of dealing with paradox was underexposed to the opinion of the researcher. Although difficulties were discussed, it mainly provided results why it was difficult to address ESG in addition to the commercial objectives, not as much dealing with paradox. More conceptual clarity could improve this aspect in future research. In addition, the model confirmed several drivers and inhibitors which were identified in the theoretical framework. Overall, the designed model did help to structure the research and discussions. Yet, more research is needed to validate the model in other organisations but it can be argued that the combination with the proposed model of drivers and inhibitors would be less relevant for organisations who aren't at the starting point of addressing ESG objectives. The model did provide practical recommendations based on findings to gain more clarity in the organisations strategy and how to address the objectives.

The Dynamic Equilibrium Model of Smith & Lewis (2011) was used and more specifically the focus mentioned by Luo et al. (2020) regarding Corporate Sustainability, as main model for this research. The main reason is because it's an influential framework, linked with Corporate Sustainability describing a theoretic approach in relation to paradoxes or balancing conflicts. A limitation in this model, is described by Weiser & Laamanen (2021). They argue that the model doesn't take uncertainty into account. Unpredictable events might change the way an organisation has to balance the paradoxes and differentiate their approach. This stresses the importance of managing uncertainties with Risk Management and for example the Risk Leadership approach from van Staveren (2018). Weiser & Laamanen propose a concept of Dissipative Equilibrium to address these unexpected developments. This dissipative Equilibrium, possibly in relation to risk management and organisational objectives can be used for future research.

The results indicate the importance for young employees regarding ESG performance of a company (Jiang et al., 2020). Future research could study whether ESG contributes to an increased performance of an organisation because of this motivational aspect. Several motivational theories can be used as perspective or even to find a difference in the effect of motivational factors and hygiene factors regarding ESG performance (Acquah et al., 2021).

The reliability of the research has been taken into account. By using a dedicated interview guide, and the questions based on the Dynamic Equilibrium model main elements, various aspects of the organisation were

confronted with the same questions and therefore measuring the same content in the various aspects. Yet, because of the semi-structured nature and the perceptions of the respondents, interviews had different points of focus. In addition, during the interviews, whenever topics weren't clear or misunderstood, additional questions were raised to validate the response to prevent misinterpretations. During the research period, several initiatives were raised regarding the ESG objectives of the organisation. An example is the start of the new Group Strategy and the start of an ESG-program within the organisation at the beginning of 2024. As the research only addressed a single point in time it is plausible that perceptions will change over time due to the attention and communication the topic is given. This might impact the results for future research. The reliability and validity could have been stronger when the concepts of dilemma and tensions would explicitly have been compared to the definitions given in the literature. This hasn't been done as tensions and dilemmas were discussed in general in the interviews.

This research got its findings from a limited amount of Defence organisations. Causal factors or confirmation of the ESG drivers, inhibitors and importance for the business in relation to theory should be studied further. The proposed approach was adapted from a theoretical framework incorporated with empirical results in which some could be validated by literature. Future research could validate the approach in practise or outside of the Defence industry.

As part of the transcription process, five interviewees made alterations in the transcripts. Some alterations only addressed grammar, which wasn't necessary as the interviews were transcribed word by word. Other alterations were improvements of names of companies or technical examples, increasing the reliability of the transcripts. Just a few alterations were made which seemed like improvements but it wasn't clear if these were more desirable answers from the perspective of the respondent or if they were corrected. Yet, this wasn't checked because of the time schedule. These changes didn't impact the results of the transcript and so the transcripts were used for the research.

The research didn't validate the results between different groups of interviewees. It could be argued, that groups of interviewees could be Financial, Internal Business, Learning and Innovation and Customer, based on the Balanced Scorecard. In this analysis, different perspectives could have been compared and used for valuable insides. Yet, because the distribution between all the Groups wasn't equal an analysis in this research wouldn't be reliable. For sake of the discussion, underneath the distribution between the perspectives are presented in table 6.1 for the main code found in the research, the challenging business context. Some notable findings regarding this table is the external perspective to begin with. It could be argued that external companies couldn't have a perspective regarding the challenging business context in the organisation. Yet, the codes presented come from the supervisory board as it was found the best perspective to apply compared to the others. The customer perspective and the internal business perspective have discussed topics related to this code the most. This might be because these perspectives had, together with the ESG perspective and the external perspective, three respondents and therefore more information might have been obtained. In addition,

these perspectives are all respondents dealing directly with the consequences of the challenging business context. This might be a reason the ESG perspective is a bit less represented although this perspective was based on three respondents as well.

Category	Code	Total	Customer perspective	Innovation/learning perspective	Financial perspective	Internal business perspective	External perspective	ESG perspective
Difficulties for the organisation	Challenging business context	65	21	9	9	16	3	7

Table 6.1 Most discussed code in different interviews distributed over the perspectives

ESG and Commercial objectives were addressed as concepts in the interviews. Although it was checked established that all employees knew what ESG meant, it's a broad topic and not every objective or theme within ESG might need the same focus in the organisation. More research is needed to identify results which relate specifically to a certain aspect of ESG in relation to commercial objectives.

6.2.1 Managerial and Academic contribution

This research extends the academic literature addressing a paradoxical management perspective related to Corporate Sustainability in the Defence sector in the Netherlands. Although studies are limited, the Dynamic Equilibrium Model (Smith & Lewis, 2011) has been applied as theoretical framework in research in relation to the Defence industry, see for example Davies et al. (2021). But, the corporate sustainability aspect, as adopted by Luo et al. (2020) used in this study hasn't been identified in studies in this industry. Another academical contribution is the proposed model in this research with drivers and inhibitors for ESG and therefore corporate sustainability. Various literature was used and integrated into the model. As described, future research should validate the model itself or its use of sector specific integration. The designed model as depicted in figure 2.3 shows the overall theoretical framework. Its implications have already been described in the discussion section. Yet, it provides an academical contribution by integrating three theoretical concepts on dealing with tensions in an organisation. These tensions came either from potential paradoxes, trade-offs or dilemma's, difference in perspectives based on drivers and inhibitors of ESG for organisations and classifying productive tensions to change an organisational situation. Therefore, the contribution is mainly related to the theory of Paradox Management and Change Management.

For the managerial contribution, the research is based on (mainly academic) literature and a wide variety of empirical aspects from practice. These aspects were found in different parts of the organisations with perspectives coming from financial managers, engineering managers, internal business managers, management team members and also external companies. The external companies provided empirical insights as high-tech organisations with a (limited) market share in the Defence Industry. This benefits the proposed approach as it brings an outside view for the organisation. The research resulted in recommendations for the organisation to use in practice improving their strategic planning activities by applying the strategic roadmap. It

also increases the awareness of the management that it is perceived that the strategy isn't clear in the organisation. This study will increase risk awareness throughout the organisation as risk and opportunities in relation to the combination of ESG and commercial objectives were made explicit for a first time. Being aware of these aspects and integrating the discussion of uncertainty for ESG and commercial objectives in standard strategy meetings, can further improve maturity of risk management in the organisation. As the results indicate an unclarity in strategy and how departments can contribute to this strategy, this research emphasises the risk that this might lead to a limited contribution of employees towards objectives and therefore achieving these.

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Appendices

Appendix 1 Connection of balanced scorecard and interviewees

#	Perspective based on Balanced Scorecard	
	Financial perspective	Interview Finance 1 Interview Finance 2
	Customer perspective	Interview Sales 1 Interview Sales 2 Interview Bid & Project management 1 Interview Bid & Project management 2
	Internal Business Perspective	Interview Supply Chain 1 Interview Product Segment 2
	Innovation & Learning perspective	Interview Engineering 1 Interview Engineering 2
#	Other perspectives	
	ESG perspective	Interview Support Function 1 Interview Support Function 2
	Management/Board	Country Management Member 1 Country Management Member 2 Country Management Member 3
	External Company	External Company 1 External Company 2

Interview guide Sub-question 1

Method

To prepare the interviews, an interview guide is drafted to extract information from the participants. The interview guide enables the interviewer to prepare the interviews in the order the questions are asked, the way the questions will be asked but also to make sure that all questions will be asked to get a complete overview of the situation. Every interview will start with a description of the research, its purpose and to what part they contribute of the research. Subsequently, more in depth questions will be asked. Because of the semi-structured nature, it is possible to address additional questions or to ask for clarity if needed.

To keep focus and respect the participants professional calendar, interviews will not take more than 60 minutes. Preferably, face to face interviews are scheduled for good quality recording and eliminate uncertainties as unstable connections. Every participant will be asked to confirm a letter of consent to recording of the interview. The funnel technique is used by starting with broader questions followed by more specific questions.

Purpose

The aim is to analyse the issue of how the organisation can keep ESG on the agenda within the current context. In the context the organisation faces multiple challenges such as meeting delivery obligations and employee shortages. As a result, other (short-term) priorities take precedence. More specific: commercial objectives as delivering to customers on quality, on time and on budget. Being a responsible organisation and performing well on ESG brings its own objectives. These objectives – the commercial and the ESG objectives – might be in conflict when the latter does not directly benefit the short-term, commercial objectives. As both objectives are of importance for the organisation, this contradictory is causing a dilemma. As a result, risks for the objectives might arise when one of the topics isn't managed well. This raises questions within the organisation as: What are valid reasons for sticking to ESG despite ongoing short-term challenges? How can ESG contribute to the short-term challenges? In other words, is focusing on ESG increasing the pressure in the organisation, or can focusing on ESG positively contribute now the organisation is under pressure. The objective of this study is to explore how ESG objectives can be achieved while the short-term, commercial, objectives needs to be achieved as well. This will help the organisation to increase awareness on how to balance different objectives. As a result, the study provides an approach on how to deal with the dilemma of conflicting objectives.

Purposive sampling

Technique used: Judgment sampling. Sample determined on criteria (Schindler, 2019):

- Thales' employee
- Involved in NAVAL business in for the commercial objectives
- Voluntary: no obligation to participate, so employee can speak freely.
- Availability: participants must be able to contribute to the interview in the defined timeframe

Interview guide

Introduction

- Ask if participants consent with audio recording
- Informed consent

- Interviewer will introduce himself

Reason for interview, Name, Department.

- Description and purpose of the research

High order intake and a lot of work, but the organisation didn't adapt their way of working. There are several difficulties in the organisation and we don't deliver to customers. Yet, there is a desire to be a responsible company (keeping environmental topics into account, social topics and governance topics). The purpose this research to explore how ESG objectives can be achieved while the short-term, commercial, objectives needs to be achieved as well. Does it bring tensions to do both or can it help each other?

- To which part of the research the participant contributes

Gain insights if it can driver or inhibit the current context, if there are tensions and how it's managed. These tensions could revolve because it requires prioritising issues and involved choices between alternatives that are equally desirable (social and financial value).

Part 1: General overview : ESG and Commercial objectives

1. What can you tell me, from your area of expertise, about the difficulties the organisation is facing (regarding on time, on quality and on budget deliveries) ?
2. What can you tell me about ESG/Corporate Social Responsibility or the Protect Pillar from Thales towards 2030 from your area of expertise?

Part 2: Importance of ESG for the business

Protect pillar as baseline

3. Why is ESG important for the business?

Drivers and Inhibitor model.

4. How can ESG/CSR contribute to the business objectives?

Drivers and Inhibitor model.

5. To what extent do you expect that these objectives can either inhibit or drive the organisation in the current context?

Part 3: Manifestation of Paradoxical Tensions

6. To what extent do you see an oppositional, yet interrelated nature in achieving the commercial objectives as well as the ESG objectives?

7. To what extent do you **experience** tension between delivering ESG objectives and the Commercial Objectives? *(latent to salient) Tension because of inconsistencies, contradictories yet interrelated for the organisation. (based on p. 390 of DEM model) (doel: is the tension salient, identified and/or experienced).*

8. What factors in your opinion contribute to the tensions of achieving ESG objectives and Commercial Objectives?

(trying to identify what is causing the contradictories)

e.g. plurality because of multicity in views or lack of resources (scarcity) or in search for new opportunities wile multiple short-term/long-term must be served?

Environmental factors: *e.g. plurality because of multicity in views or lack of resources (scarcity) or in search for new opportunities wile multiple short-term/long-term must be served?*

Individual cognition: *Cognition is the mental actions/process of gathering knowledge and comprehend knowledge by thinking, experiencing or feeling.*

What is causing this factors and what might be the effect on dealing with both of the objectives?

9. What makes it difficult for the organisation in the current context to achieve the Commercial Objectives as well as the ESG objectives? *Clarity because of current situation and vision of experts. Identifying internal factors.*

What is causing this difficulty and what might be the effect on dealing with both of the objectives?

10. To what extent does the organisation communicate the importance of both of the objectives?

10a. From your perspective, how do you experience the level of importance of both set of objectives

To see if the rhetoric and cognition might be a contributing factor

-What risk and opportunity do you see coming from a tension between the objectives?

Part 4: Management Strategies and Outcomes

From a standpoint (or assumption) that the organisation experiences the contradictory yet interrelated elements (so that the latent tensions are salient).

The organisation finds it important to address the Protect Pillar with ESG objectives in the Thales Towards 2030 strategic plan. Yet, the commercial objectives are essential for the NAVAL organisational unit. These questions address how the organisation copes with this situation, the strategies that are used and the expected outcomes.

11. How **does** the organisation (Thales Netherlands) deal with the tension between both set of objectives at the same time?

Neglect the tension, choice for either set of objectives, dealing with both, prepared to deal with both, talking in a way of 'either/or' or 'both/and', defensive; deny/ignore, willing to eliminate the demands of one pole ? – This question addresses how it is experienced in the current way

11a. *What examples can you mention why regarding this strategy/approach?*

12. How – from your perspective – **should** the organisation (Thales Netherlands) deal with the tension both set of objectives at the same time? *Neglect the tension, choice for either set of objectives, dealing with both,*

prepared to deal with both, talking in a way of 'either/or' or 'both/and', defensive; deny/ignore, willing to eliminate the demands of one pole ? – This question addresses how it should be managed from the perspective of the interviewee (vision)

12a. Is the organisation – in your opinion – capable of dealing with both set of objectives in the current context? *This question addresses the capability of the organisation to use 'both/and'- possibilities, accept the tensions and come to a virtuous cycle (factors contributing; dynamic capabilities, emotion equanimity/behavioural complexity).*

13. Continuing to do so, what do you expect as outcome for both of the objectives? Can it be achieved both at the same time or not?

Part 5: Balancing objectives

Dealing with both set of objectives in a dynamic context full of Volatility, Uncertainty, Complexity and Ambiguity, can make it difficult to deal with both of them.

14. To what extent has the, uncertainties, risk and opportunities of dealing with both objectives been explicitly explored?

15. How can an organisation balance objectives that might be in conflict with each other?

16. How should the organisation cope with balancing opposing objectives of ESG and the Commercial objectives in your opinion?

Goedkeuring Stage-/Afstudeerverslag van:

Naam:

Titel verslag:

Opleidingsinstelling:

Stage-/Afstudeerperiode:.....

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Stagebegeleider Thales:.....

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Akkoord:

Akkoord:

(Stagebegeleider Thales)

(Opleidingsinstelling)

(plaats/datum)

(kopie security)

THALES

Managing paradoxes in difficult times: Risk and opportunity for ESG
Information sheet for consent

Purpose of the research

The aim is to analyse the issue of how the organisation can keep ESG on the agenda within the current context. In this context the organisation faces multiple challenges such as meeting delivery obligations and employee shortages. As a result, other (short-term) priorities take precedence. More specific: commercial objectives as delivering to customers on quality, on time and on budget. Being a responsible organisation and performing well on ESG brings its own objectives. These objectives – the commercial and the ESG objectives – might be in conflict when the latter does not directly benefit the short-term, commercial objectives. As both objectives are of importance for the organisation, this contradictory is causing a dilemma. As a result, risks for the objectives might arise when one of the topics isn't managed well. This raises questions within the organisation as: What are valid reasons for sticking to ESG despite ongoing short-term challenges? How can ESG contribute to the short-term challenges? In other words, is focusing on ESG increasing the pressure in the organisation, or can focusing on ESG positively contribute now the organisation is under pressure. The objective of this study is to explore how ESG objectives can be achieved while the short-term, commercial, objectives needs to be achieved as well. This will help the organisation to increase awareness on how to balance different objectives. As a result, the study provides an approach on how to deal with the dilemma of conflicting objectives.

Benefits and risks of participating

The research has been reviewed and approved by the BMS Ethics Committee/domain Humanities & Social Sciences. Benefits are the contribution to a master thesis for a colleague of the organisation, but also insights in potential opportunities or risks for ESG and an approach for the organisation in paradox management. No risk has been identified in the participation of the study as the responses are used as your area of expertise and results will be anonymised.

Procedures for withdrawal from the study

Contributing to the study is voluntarily. As a participant, you have the right to withdraw from the study at any time, without having to give a reason.

Personal data

For purposes of quality, validity and reliability of the data, interviews will be recorded by audio. Every audio recording will be anonymised and transcribed in Atlas.ti. The transcripts contribute to the analysis of the study. Participants will receive an anonymised transcript from the audio recording. The transcript will be sent to the participants to provide feedback and remarks. Because of the limited timeframe, every participant will have five working days to react to their transcript. In addition, the participants can request access to the audio recording until the master thesis is approved by the University of Twente. After the approval of the University of Twente, the audio recordings will be deleted. Only the function name is described in the master thesis. The name will not be shared beyond the study team.

Usage of data

Data from the participants will be recorded and transcribed. The data will not be shared beyond the study team, except the transcripts which will be send to the participants for feedback. Because of possible internal, sensitive information, the participant can ask to stop the recording to address certain topics or to not address it

in the transcript for further analysis. The thesis will not be published in an open database. The answers provided can be archived in the repository of the University of Twente so it can be used for future research and learning. As internal data is used, access restrictions apply with the use of data by an agreement explicitly given by Thales in writing. The answers will be deposited by anonymised transcripts by not referring to a name.

Retention period

The data provided by participants in the audio recording and transcripts only contribute to the Master thesis. After the approval of the Master thesis by the University of Twente, the audio recordings and transcripts will be deleted.

Contact details

For any questions regarding the study, please contact the researcher.

Contact details researcher

g.j.roolvink@student.utwente.nl

06 13666212

Contact Information for Questions about Your Rights as a Research Participant

If you have questions about your rights as a research participant, or wish to obtain information, ask questions, or discuss any concerns about this study with someone other than the researcher(s), please contact the Secretary of the Ethics Committee/domain Humanities & Social Sciences of the Faculty of Behavioural, Management and Social Sciences at the University of Twente by ethicscommittee-hss@utwente.nl

Managing paradoxes in difficult times: Risk and opportunity for ESG
YOU WILL BE GIVEN A COPY OF THIS INFORMED CONSENT FORM, if desirable

Please tick the appropriate boxes

**Ye
s** **No**

Taking part in the study

I have read and understood the study information dated [04/Dec./2023], or it has been read to me. I have been able to ask questions about the study and my questions have been answered to my satisfaction.

I consent voluntarily to be a participant in this study and understand that I can refuse to answer questions and I can withdraw from the study at any time, without having to give a reason.

I understand that taking part in the study involves an audio-recorded interview and written notes from the researcher. Audio-recordings will be transcribed and analysed and destroyed after the approval by the University of Twente for the Master thesis.

Use of the information in the study

I understand that information I provide will be used for a master thesis publication.

I understand that personal information collected about me that can identify me, such as my name, will not be shared beyond the study team.

I agree that my information can be quoted in research outputs

Consent to be Audio Recorded

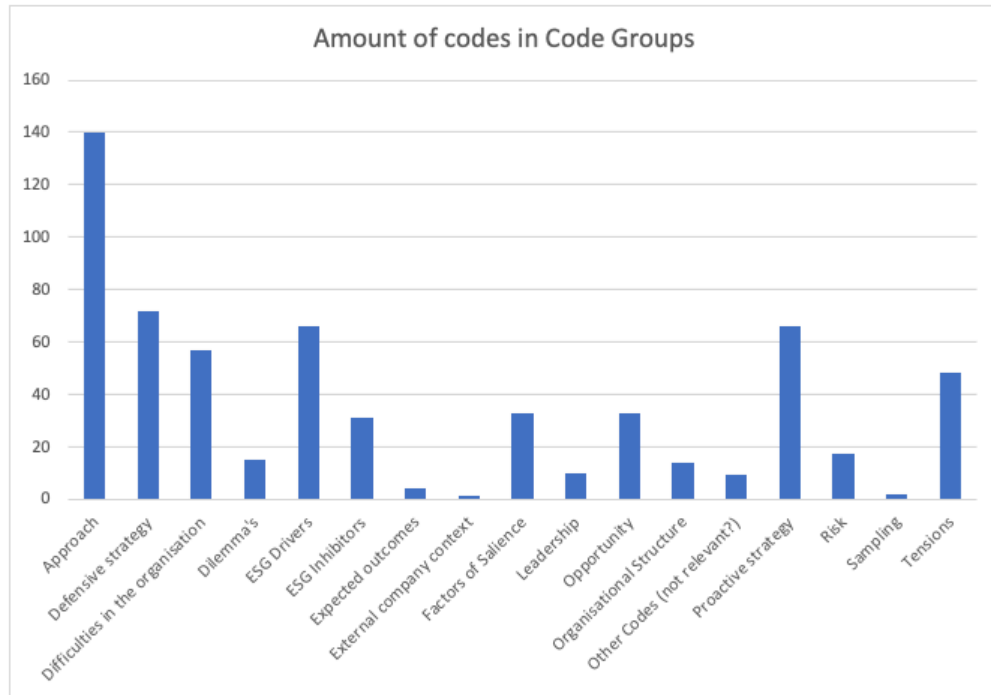
I agree to be audio recorded.

Future use and reuse of the information by others

I give permission for the answer that I provide to be archived in the repository of the University of Twente so it can be used for future research and learning. The answers will be deposited by anonymised transcripts not referring to a name. The thesis will not be published in an open database.

Appendix 5 Code Groups

Overview of the Category groups in Atlas.ti.



Example of within-Group groundedness analysis.

Code	Groundedness
○ External company approach	1
○ Shared value (Porter) as balance	1
○ Address ESG	14
○ ESG approach	9
○ ESG at company level	1
○ Less focus ESG	1
○ Managing ESG initiatives	1
○ Measure ESG	1
○ No translation of ESG	1
○ Specify ESG	1
○ Agility	2
○ Agility to cope with uncertainty	1
○ Applying agility	1
● Balancing the focus	11
○ Always balancing	1
○ Balance objectives	4
○ Balance social perspective	1
○ Balancing roadmap requirements	1
○ Benefits of ESG	35
○ Contribution to the world	2
○ Why of ESG	1
○ Board role	2
○ Boardmembership	1

Appendix 6 Code manager

Code manager presented, as described, is are the main codes used per category. The figures represent the groundedness of the main code in total and the groundedness of the separate codes which are part of the main code. The latter might be increased when a single code was used multiple times or when it was merged.

Category: ESG Driver

<ul style="list-style-type: none"> o Benefits of ESG 35 o Benefits of diverse perspectives 1 o Beneficial for Company 1 o Bonding 1 o Bringing energy 1 o Broader perspective 1 o Complement Thales 1 o Contribution to the world 2 o Cost reduction as driver 1 o ESG Driver 2 o Generation requirement 1 o Importance of ESG 2 o Motivation and inspiration 2 o Operational cost as driver 1 o Order intake driver 1 o Product as ESG Driver 2 o Reason for governance as driver 1 o responsible company 1 o Selling point 1 o Upcoming importance 3 	<ul style="list-style-type: none"> o Positive business aspects 19 o Business case approach 5 o Diversity business driver 3 o Driving business environment 1 o ESG as business driver 5 o Indirect business driver 2 o Social as business driver 2 o Sustainability in the business 1 	<ul style="list-style-type: none"> o Stakeholder / Context 36 o Context expectations 6 o CSR for shareholder 1 o Employees as driver 1 o Hygiene factor 1 o Importance for western countries 1 o Important for investors 1 o Improve skill shortage 1 o Industry framing as driver 1 o Responsibility driver for skills/talents 1 o Stakeholder expectations 6
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Category: Difficulties

<ul style="list-style-type: none"> o Commercial focus 35 o Commercial paradox 1 o Order intake focus 1 	<ul style="list-style-type: none"> o Resources 13 o Limited resource challenge 1 o Resource as constraint 1 o Resource development 1 	<ul style="list-style-type: none"> o Uncertainty 17 o Thales uncertain 1 o Uncertain context 4 	<ul style="list-style-type: none"> o Structure of organisation 22 o Business as primary 2 o Complex organisation 3
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<ul style="list-style-type: none"> o Challenging business context 65 o Abnormal growth 1 o Backlog Explanation 1 o Becoming Mature 1 o Bid & Sales process 1 o Cause of business challenge 5 o Challenge in skills 1 o Challenge of current context 17 o Changing project/bid 1 o Dealing with large contract 1 o Development as constraint 1 o Difficulty in quotation 1 o Financial challenge 1 o Historical perspective 2 o Importance of short term 1 o Improve planning 1 o Improved BID quality 1 o Improvement challenge 1 o Improving current challenge 1 o Inefficiency 1 o Immature organisation 1 o Innovation vs Conservatism 1 o Many specialities 1 o Mindset challenge 1 o Mindset change in 1 o Multiple challenges at once 3 o Necessary implementation 1 o New degree of workload 1 o No ESG in current deliveries 1 o Organisation didn't adapt 1 o Organisational development 1 o Organisational improvement 2 o Organising major project 1 o PFAS challenge 1 o Quality challenge 1 o Representation of 1 o Risk management in 2 o Scandal 1 o Serious luxury problem 1 o Supply chain challenge 1 o Supply chain dip 1 o Urgency development 1
--

Category: ESG Inhibitors

<ul style="list-style-type: none"> o Compliance perspective and 10 o Compliancy 6 	<ul style="list-style-type: none"> o Customer 9 o No benefit for customer 2 o No customer questions 1 o No customer requirement 2 	<ul style="list-style-type: none"> o Extra work 6 o Additional constraints 4 o Additional work 1
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Category: Tensions

<ul style="list-style-type: none"> o Commercial focus 35 <ul style="list-style-type: none"> o No ESG requirement 2 o Paradox ESG vs Commercial 10 o Stick to contract 1 	<ul style="list-style-type: none"> o Compliance perspective and approach 10 <ul style="list-style-type: none"> o Compliancy 6 	<ul style="list-style-type: none"> o Resources 13 <ul style="list-style-type: none"> o Differentiate resources to balance 1 o Limited resource challenge 1 o Opposition in resources 1 o Resource causing tensions 1 o Resource challenge 1 	<ul style="list-style-type: none"> o Tensions in objectives 34 <ul style="list-style-type: none"> o Example of opposition 1 o Experienced tension 1 o Factor of tension 5 o Inherent tension 2 o Latent tension 2 o No experienced tension 1 o No opposition 1 o No tension to finance 1 o Opposition own objectives and ESG 1 o Opposition technology/ESG 2 o Possible tension 5 o Salient tensions 7 o Tension no opposition 1
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Category: Salience

<ul style="list-style-type: none"> o Communication 25 <ul style="list-style-type: none"> o Commercial communication 13 o communicate both 5 o Communicate priorities 1 o ESG communication 3 o Fragmented communication 1 o Opposing communication 1 	<ul style="list-style-type: none"> o Stakeholder / Context 36 <ul style="list-style-type: none"> o difficulties in Context 1 o Generation Gap 1 o Group development 1 o Group requirement 1 o Hygiene factor 1 	<ul style="list-style-type: none"> o Strategy 41 <ul style="list-style-type: none"> o Management strategy 3 o Mismatch strategy 1 o Unclear strategy 6
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Category: Dilemma

- o Balancing the focus 11
 - o Balancing resources 2
 - o Balancing roadmap requirements 1
- o Challenge in resource and technical aspect 9
 - o Challenge between objectives 4
 - o Dilemma 2
- o Challenging business context 65
 - o Becoming Mature 1
 - o PFAS challenge 1
- o Commercial focus 35
 - o Paradox ESG vs Commercial 10
- o Compliance perspective and approach 10
 - o Compliancy 6
- o Conversations take place 1
- o Difficulties for the business 7
 - o Business and certainty 1
- o Doing both 29
 - o Accepting tension 1
- o Resources 13
 - o Opposition in resources 1
- o Short term - Long term balance 8
 - o Short term vs Long term preparation 6
- o Tensions in objectives 34
 - o Added value for Western world 1
 - o Factor of tension 5

Category: Risk

<ul style="list-style-type: none"> o Extra work 6 <ul style="list-style-type: none"> o Additional constraints 4 	<ul style="list-style-type: none"> o Positive business 19 <ul style="list-style-type: none"> o Business 5 	<ul style="list-style-type: none"> o Risk for organisation or 11 <ul style="list-style-type: none"> o Impact on 1 o Long term 1 o Resource 1 o Risk 7
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Category: Approach

<ul style="list-style-type: none"> o Roadmap 8 <ul style="list-style-type: none"> o dealing with ambitions 1 o Dealing with factors 1 o Overarching objective 1 o Product roadmap 1 o Roadmap for clarity 2 o Roadmap for product requirement 1 o Roadmap planning 1 	<ul style="list-style-type: none"> o Strategy 41 <ul style="list-style-type: none"> o Chaotic strategy 2 o Clear long term strategy 1 o integrated in strategy 1 o Operationalisation 7 o Strategic positioning for multiple objectives 2 o Strategy of doing nothing 1 o Strategy of opportunity 2 o Translate strategy to business 1 o Unclear strategy 6 	<ul style="list-style-type: none"> o Doing both 29 <ul style="list-style-type: none"> o 'and'-strategy 3 o Approach for both objectives 17 o Dedicate budget to balance both 1 o Encompassing both ambitions 1 o Equal importance 1 o Seeing ahead 1
<ul style="list-style-type: none"> o Integration 26 <ul style="list-style-type: none"> o Check projects which already contribute 1 o ESG integration in Bid Management 1 o Example of Integration 1 o Integration approach 1 o Integration in compensation 1 o Integration instead of explicit choices 1 o Integration possibilities 16 o Integrated part of operations 1 o Mention quick wins 1 o Supply chain ESG integration 1 	<ul style="list-style-type: none"> o Address ESG 14 <ul style="list-style-type: none"> o ESG approach 9 o ESG at company level 1 o Less focus ESG 1 o Managing ESG initiatives 1 o Measure ESG 1 o No translation of ESG 1 o Specify ESG 1 	<ul style="list-style-type: none"> o Change Management 13 <ul style="list-style-type: none"> o Change 6 o Size of 2 o Success 1

Category: Opportunity

o Opportunity	18	o Stakeholder / Context	36	o Strategy	41
o Defense sector opportunity	1	o Context	6	o Unclear	6
o Less external focus	1	o Market	2	o Updates	1
o Opportunity for ESG	1	o	1		
o Opportunity in technical aspect	2				
o Opportunity instead of constraint	2				
o Opportunity to add value	1				
o Potential opportunity example	3				
o Pressure as opportunity	1				
o Risk/opportunity	1				

Category: Defensive Strategy

o ESG status quo in organisation	34	o Strategy	41	o Commercial focus	35
o ESG Challenge	1	o Current strategy	6	o Focus on commercial objective	11
o ESG for Thales	5	o Disconnected commitment	1	o Focus on current contract	2
o Instrumental approach	3	o Management strategy	3	o Focus on short term	2
o Limited follow up	1	o Short-sighted strategy	1	o Marketing trend	1
o Starting point	13	o Unclarity business axes	1	o No ESG requirement	2
				o Primary focus in performance	1
				o Priority in Commercial objectives	3
				o Reason for commercial focus	1
				o Stick to contract	1

Category: Proactive Strategy

o Strategy	41	o ESG status quo in organisation	34	o Doing both	29
o ESG management strategy	4	o Development of ESG	1	o 'and'-strategy	3
o integrated in strategy	1	o Eco-design objective	1	o Accepting both objectives	3
o Management strategy	3	o Environmental plans	1	o Accepting tension	1
o Part of strategy	1	o ESG already applied	1	o Acknowledge struggle	1
		o ESG execution	1	o Encompassing both ambitions	1
		o ESG progression	2	o Equal importance	1
		o Frontrunner	1		
		o HSE in Operations	1		
		o Implicit initiatives	1		
		o Instrumental approach	3		
		o Starting point	13		

Category: Organisational Structure

o Strategy	41
o Management strategy	3
o Structure of organisation	22
o Business as primary axes	2
o Complex organisation	3
o Country and Business axes	3
o Country Axes	2
o Different organisation	1
o Dominant axes	1
o ESG in operations	2
o Example of PLM role	1
o Focus Dutch context	1
o Organisational structure	4
o PLM role	2
o Product segment explained	1
o TNL Structure	1

Category: Leadership

o Commitment	5
o Example of lacking commitment	1
o Limited commitment	1
o Decision making	15
o Difficulties of making choices	2
o Leadership contribution	10
o Leadership	2
o Leadership for commitment	1
o Leadership to involve employees	1
o Mindset or culture(?)	8
o Conservative mindset	1
o Cultural contribution	2
o Playing safe	1
o Resources	13
o Opposition in resources	1