Management Control, Strategy and Sustainability: A Review of the Literature

Nathalie Crutzen, Assistant Professor in Sustainability and Strategy, Accenture Chair in Sustainable Strategy, HEC-Management School, University of Liege, Belgium

Christian Herzig, Lecturer in Sustainability Accounting and Reporting, International Centre for Corporate Social Responsibility, Nottingham University Business School, UK
Introduction

• Objective – to review the literature on the relationship between management control, strategy and sustainability (organisation of the literature, state of our current knowledge, future research directions)

• Motivation
  o Key role of (sustainability) management control systems in shaping processes of (sustainability) strategy formulation and implementation is widely acknowledged (e.g. Simons, 1990; Langfield-Smith, 1997; Berry et al., 2009; Epstein and Wisner, 2005; Gond et al., 2012)
  o A growing body of literature on management control, strategy and sustainability has emerged over the last years and calls for further research have been made (e.g. Parker, 2000; Burritt, 2004; Chung and Parker, 2008; Durden, 2008)
  o Practical need to further embed sustainability into organisations and challenges in translating strategic aspirations for sustainability into practice (e.g. CIMA and Accenture Research 2011)
Key concepts

- **Management control**
  Formal and informal mechanisms, processes, systems, and networks used by organizations for conveying the key objectives and goals elicited by management, for assisting the strategic process and on-going management through analysis, planning, measurement, control, rewarding, and broadly managing performance, and for supporting and facilitating organizational learning and change (Ferreira and Otley, 2009)

- **Strategy**
  Direction and scope of an organisation over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholders’ expectations (Johnson, 1987)

- **Sustainability / CSR**
  Broadly defined: responsible, ethical, social, environmental, sustainable; with links to the strategic measurement, control and management of the interaction between business, society and/or the environment (Bennett and James, 1997)
Research design

- **Iterative approach**
  1. Definition of keywords (see Appendix);
  2. Keyword-based search on databases (EBSCO, Pro Quest ABI/Inform Global);
  3. Review of abstracts and papers to select relevant articles;
  4. Analysis of referencing section to identify further key articles (as well as books and book chapters);
  5. Refinement and completion of the selection of papers.

- Initially, more than 70 papers selected for review

- **Difficulties**
  - « Emerging » association which can be studied through various disciplinary lenses
  - No-generally-accepted definitions of the concepts
  - Implicit links between ‘MC, Strategy and Sustainability’
    - Stakeholder approach to socially-responsible MC
    - Integration of conventional and sustainability MC systems with implicit link to strategy
    - Process of sustainability strategies implementation with few details about MC
Emerging framework for analysis

- **Frameworks**
  - Theoretical frameworks
  - Strategy frameworks
  - MC frameworks/models

- **Content**
  - Research focus
  - Research scope/questions
  - Integration perspective
  - Type of controls considered

- **Methodology**
  - Conceptual/theoretical/empirical
  - Research method and design
First observations - Frameworks

- **Theoretical frameworks**
  - Less evident (one third with almost no reference to theory/frameworks)
  - Very little explicit use of traditional theory schools (RBV, contingency theory)
  - Practice-orientated “theories”/ frameworks (BSC, Bus Excellence Framework) prevalent

- **Strategy frameworks**
  - Traditional understanding of strategy, deliberate view of strategy
  - Few studies explore the role of MCS in formulating strategy

- **MC frameworks/models**
  - Frequent use of SBSC framework as strategic performance measurement system
  - Broader more recent performance management and control frameworks not applied
First observations - Content

- **Research focus**
  - Process of sustainability strategies implementation with few details about MC
  - Sustainability management controls with implicit link to strategy
  - Strong focus on the relationship between all three aspects

- **Research scope/questions** (based on Tucker et al, 2009)

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<th>MC Strategy</th>
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<td><strong>Process</strong></td>
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First observations - Content

- **Integration perspective**
  - We aim to include the integration notion into Tucker et al’s (2009) framework
    - Integration of control systems and their impact on strategising sustainability (Gond et al, 2012)
    - Role of control systems in the integration of strategies (Yakhou and Dorweiler, 2004)

- **Types of controls considered**
  - The large majority of the reviewed articles concentrate on *formal and accounting-based control mechanisms* – despite the important role informal control might play in this context (e.g. Norris and O’Dwyer, 2004) and the previously demonstrated interactions between formal and informal controls (Langfield-Smith, 1997)
Preliminary findings - Methodology

- **Conceptual/theoretical/empirical**
  - More than half of the papers are prescriptive without any empirical part (or with illustrative cases only)
  - Empirical papers: often descriptive, illustrative

- **Research method and design**
  - Often (single) case-based, 7 survey-based papers (Tucker et al, 2009)
  - In-depth fieldwork → response to calls for more « engaged research » (eg Adams and Larrigana-Gonzales, 2007)
  - Mostly large private firms (few SMEs, one public firm)
  - Respondents/interviewees: often CSR managers (exceptions: CEOs, Galbreath, 2010; Financial managers/controllers, Perego and Hartmann, 2009), multiple respondents from various departments in some of the single case studies
Thank you for your attention.