Patterns of Management Control for Sustainability

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Introduction

- A growing body of literature argues that management control is essential in promoting corporate sustainability (e.g. Norris and O'Dwyer, 2004; Durden, 2008)

- Yet, scepticism has been raised about the existence and, especially, about the role of management control mechanisms in promoting sustainability within the organizations (Deegan, 2002; Norris and O'Dwyer, 2004; Durden, 2008)

- Few empirical insights exist on intra-organizational aspects of management control for sustainability (Epstein and Wisner, 2005; Henri and Journeault, 2010)

Introduction

This paper investigates empirically the extent to which large companies have developed a package of formal and informal management control mechanisms for sustainability

1. Literature

- A growing body of academic literature on management control and sustainability has emerged

  e.g. Epstein and Wisner, 2001; Figge et al., 2002; Norris and O'Dwyer, 2004 Epstein and Wisner, 2005; Schaltegger and Wagner, 2006; Chung and Parker, 2008; Durden, 2008: Morsing and Oswald, 2009; Henri and Journeault, 2010 Riccaboni and Leone, 2010; Schaltegger, 2011; Gond et al., 2012)

- Yet, only a **limited number of empirical studies** based on surveys or case studies investigate how management control has been deployed in practice to promote sustainability

  Epstein and Roy, 2001; Norris and O'Dwyer, 2004; Epstein and Wisner, 2005; Schaltegger and Wagner, 2006; Durden, 2008; Morsing and Oswald, 2009; Perego and Hartmann, 2009; Henri and Journeault, 2010; Riccaboni and Leone, 2010

- None of these empirical case studies explores corporate practices in large firms

2. Framework for analysis

- **Malmi and Brown (2008)**

Cultural Controls					
Clans		Values			Symbols
Planning		**Cybernetic Controls**			**Reward and Compensation**
Long Range Planning	Action Planning	Budgets	Performance Measurement Systems including Financial Measurement Systems, Non-Financial Measurement Systems and Hybrid Systems		
Administrative Controls					
Governance Structure		Organization Structure		Policies and Procedures	

3. Research methodology

- Exploratory and inductive qualitative approach

- **Sample**

17 listed Western European firms (Belgium, France, Germany, The Netherland, UK) with good sustainability reputation (Rankings, DJSI, GRI)

- **Data Collection (operationalization of the components of the model)**
  - Semi-directed interviews with the sustainability managers
  - Examination of the existence of specific elements of a broad management control "package" to promote sustainability including planning; cybernetic controls; reward and compensation system, administrative and cultural controls

- **Data Analysis**

Qualitative content analysis (in-depth vertical and horizontal analyses)

- **Aggregate summary of the observations**

Management control	No. of companies (out of 17)
Planning	14
Cybernetic control	17
Rewards and compensation	4
Administrative controls	17
Cultural controls	14

4. Findings

- **Specific observations for the different category of control mechanisms**

  - **Planning**

  - **Cybernetic control**

  - **Reward and compensation**

  - **Administrative controls**

  - **Cultural controls**

5. Sustainability Control Patterns

- **Formal control patterns**

Packages of formal controls	Controls included					
	Structure	**Cybernetic controls**		**Planning**		**Rewards**
		Budget	Perf. Meas. (hybrid)	Long Range Planning	Action Planning	
Reporting and measurement-oriented	●	●	●			
Long Range Planning-oriented control	●	●	●	●		
Action-oriented	●	●	●	●	●	
"Full package"	●	●	●	●	●	●

- **Sustainability control patterns**

Development of informal Controls Development of Formal Controls	Weak cultural control (3 or less signals)	Strong control cultural (more then 3 signals)
Incomplete package (planning + basic cybernetic (budget + list of indicators+ structure)	Pattern A Basic management control (7 companies)	Pattern B Behaviour-based management control (6 companies)
Complete package (planning + more advanced cybernetic controls + reward + structure	Pattern C Advanced formal management control (4 companies)	Pattern D (Full management control package)

Conclusion

- This paper investigates sustainability management control in leading companies and finds distinctive control patterns in organisational practices

- The analysis of formal and informal approaches of management control reveals that those companies with more pronounced formal controls have less developed cultural control systems and vice versa

- **Limitations**
  - Limited number of cases
  - Interviews with sustainability managers only
  - Selection of specific "signals" to operationalize the model of Malmi and Brown (2008) (especially for cultural controls)

- **Directions for future research**

Thank you for your attention.

Selected references

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