Abstract

A prerequisite for successful business development is that the control system is designed and used in such a way that strategically important areas can be planned and followed up. Thus, it must be possible to relate results on the quality front, for example, to the company’s strategy, which is why quality systems are often integrated with the overall system of control. Environmental management systems, on the other hand, often tend to lead a life of their own, quite disconnected from the overall control system with its routines for strategic planning and follow-up. This can perhaps explain why environmental work has not become a natural part of corporate business development, despite the market for environmentally friendly products. In this article, we therefore focus particularly on control systems and their role in the promotion of an environmentally driven mode of business development. It appears that the integration of environmental management systems with other control systems has been found to be important. The tentative model presented here indicates the conditions under which such integration is possible. It also shows how a company’s approach to environmentally driven business development can fall into various phases. The model includes three dimensions: (1) strategy, (2) control systems, and (3) attitude to environmental work. A number of hypotheses are formulated regarding the importance of these dimensions for the successful promotion of an environmentally driven mode of business development in large companies. The article concludes with some suggestions as to how the model can be used in further research. © 2000 Elsevier Science Ltd. All rights reserved.

Keywords: Business strategy; Corporate strategy; Environmental management systems; Environmentally driven mode of business development; Management control systems

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1. Introduction

The role of control systems in established and new businesses is becoming more and more important. Competition and rapid changes in the business environment mean that information from a monetary and externally focused control system arrives too late. Other difficulties are that information is distorted and presented at too high a level of aggregation (Johnson & Kaplan, 1987). With a view to bringing control closer to operations while also improving its links with the strategic level, new control methods have been presented. These models are particularly concerned with the way non-monetary key ratios at the business-unit level can be adapted to the strategy pursued (Dixon, Nanni & Vollman, 1990; Lynch & Cross, 1991; Kaplan & Norton, 1996). According to another approach the control systems used for the planning and follow-up of strategically important areas are integrated in something that for the company, is an overall control system. The systems used for quality control are an example of this. The information that these systems provide to management is of great importance, both for strategic planning and for the follow-up of previously decided strategies (Gummesson, 1993, p. 52ff.). To emphasize that systems of this kind are an integral part of the overall control of the typical large company with multiple products and strategic business units, researchers and practitioners both talk about an extended concept of management control (Samuelson, 1992, p. 16ff.). Extended management control includes all control systems that have a clear connection with the company’s strategic planning and follow-up (Nilsson, 1997).

The planning and follow-up of environmental work, however, do not appear to be included in this extended management control system. Empirical studies of trends in the environmental behaviour of large Swedish companies have found that many companies have routines for policies, measurable aims, plans of action, etc. Despite this, companies envisage major problems in designing and performing environmental strategies (Terrvik, 1995a, 1997), probably because they feel they lack adequate methods, tools and models for the challenge imposed by an environmentally driven mode of business development (cf. Strannegård, Wolff & Agri, 1996). Instead, the environmental management systems of large Swedish companies seem to be used for dealing with societal requirements about reducing environmental impact. Only a few such companies appear to have environmental management systems integrated with their other control systems (cf. Ahsbom, 1995; Belz & Strannegård, 1996).

International studies have reached similar conclusions. Some attempts have been made to integrate standardized environmental management systems with quality management systems (Gelber, Hanf & Hütter, 1997; Hortensius & Barthel, 1997), but there are few examples of the planning and follow-up of environmental work forming a natural part of the overall running of the company. For example, according to Epstein (1996), companies fail to follow-up their environmental costs in such a way that these costs can be traced back to specific units, processes or products. Nor is the income from more environmentally friendly products and services reported in any systematic way. Thus, as company management does not have access to this type of information, environmental issues are given low priority in strategic planning. The
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