



Configuring management control systems: Theorizing the integration of strategy and sustainability

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ABSTRACT

Although organizations have embraced the sustainability rhetoric in their discourse and external reporting, little is known about the processes whereby management control systems contribute to a deeper integration of sustainability within organizational strategy. This paper addresses this gap and mobilizes a configuration approach to theorize the roles and uses of management control systems (MCSs) and sustainability control systems (SCSs) in the integration of sustainability within organizational strategy. Building on Simons' levers of control framework, we distinguish two possible uses of a MCS and a SCS—a diagnostic use and an interactive use—and we specify the modes of MCSs and SCSs integration. We rely on these two core dimensions to identify eight organizational configurations that reflect the various uses as well as their modes of integration of SCS and MCS. We characterize these ideal-type configurations, explain their impact on the triple bottom line, and describe which mechanisms allow organizations to move from one configuration to another. In so doing, we highlight various paths toward sustainability integration or marginalization within organizations. Finally, we explain how our framework can support future research on the role of MCS and SCSs in the integration of sustainability within strategy.

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1. Introduction

There is a growing consensus that '... there's no alternative to sustainable development' (Nidumolu et al., 2009, p. 57). This is from a variety of perspectives from concern with the role of human agency in climate change to new imperatives for achieving competitive advantage. Sustainability involves organizational strategic renewal (Hart,

1995; Shrivastava, 1994) as well as the creation of new calculative practices which drive, for example, the development of carbon trading markets (Callon, 2009; MacKenzie, 2009) and sustainability accounting and reporting (Adams and Whelan, 2009; Gray, 2010). Accordingly, there have emerged alternative paradigms to financial profit maximization captured in such phrases as the 'triple bottom line' in which economic, social and ecological criteria of performance are expected to be integrated (Bansal, 2005; Elkington, 1997; Hopwood et al., 2010).

Although many organizations have embraced the sustainability rhetoric in their external reporting and their mission statements (Newton and Harte, 1997), these reports may serve as 'veils' hiding activities (Deegan, 2002) whose sole purpose is the reconstruction of an eroded legitimacy (Banerjee, 2008; Gond et al., 2009). This sceptical view is nurtured by a lack of study of the

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intra-organizational impact of sustainability (Bebbington, 2007; Milne and Grubnic, 2011), and by the scant attention devoted to the role of management control systems supporting sustainability within organizations (Durden, 2008; Herzig et al., 2012). The situation is compounded by anxieties concerning the capacity of any strategic move toward sustainability to alter organizational practices (Hopwood, 2009).

However, because management control systems (MCSs) shape actors' practices (Ahrens and Chapman, 2007; Hopwood, 1976), and support strategy (Kober et al., 2007; Langfield-Smith, 1997), they can, if used appropriately, push organizations in the direction of sustainability. MCSs are central to strategy-making, as they shape the process of strategy emergence and support the implementation of deliberate strategies (e.g., Henri, 2006; Marginson, 2002; Mundy, 2010; Otley, 1999; Simons, 2000). Accordingly, lasting attempts to integrate sustainability within strategy, beyond external reporting, discourse and mission statements, should be reflected at some stage within formal control mechanisms (Gond and Herrbach, 2006).

Although sustainability has been discussed in the management control literature to describe the emergence of sustainability control systems (hereafter SCSs) such as eco-control, this stream of research is mainly focused on the influence of these systems on environmental and financial performance (Henri and Journault, 2009, 2010). Little is known about the nature and mode of integration between SCSs and more traditional MCSs (Durden, 2008). Yet, SCSs can contribute to an effective integration of sustainability within strategy only when they inform MCSs and are not used as 'autonomous strategic tools' (Burgelman, 1991; Simons, 1995). Short of this, SCSs may remain peripheral and decoupled from core business activities and fail to reshape strategy. As a result, we may observe two parallel worlds of MCSs and SCSs.

The aim of this paper is to theorize further the roles and uses of MCSs and SCSs in the integration of sustainability within strategy. We seek to theorize the neglected relationships between MCSs and SCSs, as well as their co-influence in the process of organizational strategy development. Our aim is to clarify how MCSs and SCSs are related, and how together, and in relation with strategy-making, these systems can prevent or facilitate the emergence of sustainability at a strategic level and ultimately the integration of sustainability and strategy.

Central to our argument are two concepts: the *uses* and the *integration* of MCSs and SCSs. Our concept of *uses* of MCSs is derived from Simons' levers of control (LOC) framework (Simons, 1991, 1994, 1995, 2000, 2006). More specifically, we distinguish control systems used by executives as 'management by exception' tools (diagnostic) to correct actors' actions, from those control systems used as 'actual strategic levers' (interactive) to focus actors' attention on key goals and support changes aligned with higher strategic objectives. By *integration* we refer to the degree of overlap between the two types of control systems under study. We approach integration as a thick 'socio-technical' process (Emery and Trist, 1969) which includes technical and methodological (Schaltegger and Burritt, 2005) as well as social (Ahrens and Chapman, 2007; Brown and Duguid,

1991) and cognitive (Hoffman and Bazerman, 2007) components.

We explore the combinations of modes of integration and diagnostic vs. interactive uses of control systems to delineate a parsimonious number of plausible configurations of SCSs and MCSs within organizations. We approach these configurations as ideal-types, in the Weberian sense of the term, that is "the one-sided accentuation of one or more points of view and by the synthesis of a great many diverse, more or less present and occasionally absent concrete individual phenomena" (Weber, 1904, p. 90). We theorize the relationship between these ideal-types and organizations' capacity to elaborate a sustainability strategy. In line with prior configuration theory-building (Doty and Glick, 1994; Miller, 1987, 1996; Mintzberg, 1983), we specify our framework by explaining which moves between configurations can support a change in strategic orientation toward sustainability. Finally, we discuss how this framework can support further empirical studies on the role of formal control systems in the integration of sustainability within organizational strategy.

The paper is organized as follows. Part 2 describes the role and uses of MCSs for strategy-making. Part 3 specifies the problem of management and sustainability control systems integration. Part 4 explores the various configurations of both regular MCSs and SCSs, provides empirical illustrations for each configuration, and explains how they relate to specific approaches to sustainability strategy. Part 5 theorizes how moves across configurations explain the integration of sustainability within organizational strategy. Part 6 discusses the implications of the framework for future research on the role of management accountants and management control for promoting practices on sustainability.

2. Management control systems and strategy-making

2.1. How MCSs influence strategy

Simons (1990) conveys the idea of formal control systems influencing strategic processes within organizations. Although Hopwood (1987) pointed to the transformational potential of accounting and ways in which accounting change gives rise to preconditions for subsequent change, researchers have tended to consider control systems as passive and not constitutive of change. In contrast, Simons (1991) conveys the idea of formal control systems influencing strategic processes within organizations. Specifically, Simons (2000) highlights the role of information-based routines and procedures in both elucidating strategic uncertainties and revealing strategic risks. Accordingly, formal controls have a role in strategic renewal in the minimization of organizational threats and in the embracing of opportunities arising from competitive dynamics or internal competencies. In more recent work, Simons (2006) illustrates strategic renewal by considering different stages in a firm's business life-cycle and the practices of newly appointed managers seeking to take charge and promote agendas and strategies.

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