

Sustainability and management control systems

Managing responses to change; changing management responses

Review

For many of us in the corporate world, there is a constant struggle between the needs to grow revenues and profits for shareholders, while at the same time ensuring businesses are run as sustainably as possible for all stakeholders. All too often we lose sight of the two aims as our focus shifts from one to the other – but why cannot they be the same thing? There is an assumption that while on a few occasions they dovetail – for example, an electricity saving competition everyone in a company can enter with the best idea, which motivates people, saves money and makes the organization more sustainable – however, most of the time they are separated from each other like estranged siblings at a family gathering. You engage with both of them but not at the same time.

This is a failure of imagination and ways of working as much as anything, and given the increasing pace of needs for sustainable practices from governments, consumers and industry bodies, it is a failure that the corporate world has to deal with. To get over it, it is clear that aligning both sustainable and growth targets simultaneously is the best way forward. But then the question is how can hearts and minds be changed that are so used to splitting out these two aims, and what processes can be adopted to help businesses move forward with the kind of dual focus that is required?

Process, process, process

One answer may lie in the adoption and integration of management control systems (MCS) by firms to set themselves up with processes where the dual focus of efficiency and sustainability are embedded. This proposition is the basis for the investigation by [Wijethilake et al. \(2017\)](#) in their article *Strategic responses to institutional pressures for sustainability: the role of management control systems*. In their study, the authors look specifically at the role MCS plays in response to the pressures from within organizations around sustainability issues and intriguingly look at the case of a Sri Lanka-based clothing manufacturer.

These issues are referred in the article as “institutional pressures for sustainability” (IPS) which are an increasingly common phenomenon in modern businesses. They inhabit all areas of business and can come in a variety of forms, all of which are studied by the authors:

- Coercive pressure refers to the push to impose regulations to curb environmental pollution or enforce minimum wages.
- Mimetic pressure refers to the habit of firms who are behind the curve on sustainable development to ape their competitors and the strides they are making.

- Normative pressure relates to the pressures felt by firms to respond to social obligations and responsibilities, such as compliance with trade bodies' advice and guidance.

Strategic responses

Lined up alongside these three pressures are the responses that firms will typically have towards them. Given the status of the pressures, any response will be significant and strategic in nature and also varied depending on the set up of the firm. Wijethilake *et al.* defined five broad responses as part of their study:

- *Acquiescence*: This implies conformity on behalf of the firm as a means to gain credibility.
- *Compromise*: This kind of response will typically include attempts to reach a balance between conflicting parties or positions.
- *Avoidance*: A less-ethical approach, this will see firms hide any transgressions and refuse to give in to demands for change.
- *Defiance*: Less common, this approach will typically see organizational goals favored over IPS if there is a conflict between them.
- *Manipulation*: More nuanced, some firms will respond to IPS by actually trying to influence or control the pressures themselves, reflecting deep-seated resistance to them.

The final piece in the jigsaw are the MCSs themselves and how they are used to manage response to IPS. These systems are complex; however, the authors define them broadly under three categories:

1. Clear communication by the firm of objectives and plans to all stakeholders is the first play, typically in the form of a mission statement, internal champions or corporate social responsibility (CSR) planning and reports.
2. Second, such reports can be part of a wider tracking process of CSR and sustainability performance and by extension by including budgeting or environmental cost accounting.
3. Finally, other forms of MCS will link performance aspects to stakeholder impact through means of a balanced scorecard or similar set of metrics, including relevant but non-financial data.

Case study: Sri Lanka

To test how IPS involved the use of MCS, the authors used the case of a large clothing manufacturer based in Sri Lanka, which was an apt choice given the consumer concerns around conditions for workers for such firms based in Southern Asia. Over a dozen managers of varying levels of responsibility were interviewed at length to glean

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from them what were the pressures and responses of the firm regarding IPS. In terms of the pressures, they reported that coercive pressures came from both bureaucratic and consumer sources to push the firm to be more ethical and sustainable in a number of its practices, whereas mimetic pressures came from the leaders in their industry. Meanwhile, the top management was also keen to ensure sustainability projects and habits were adopted widely.

In terms of the firm's strategic response, while they were gratifyingly pro-active, choosing in some cases to go beyond compliance measures, there were also cases reported of avoidance and compromise, so that there was a mixed view of the strategic response. As for MCS, again, the firm appeared to go by the book with clear policies outlined and adhered to. Therefore, it is clear that for cases like the large manufacturing firm in Sri Lanka, IPS plays a key role as to how sustainability practices are delivered, with a wide variety of strategic responses at play, with MCS playing a major role in how they are carried out.

Comment

The article "Strategic responses to institutional pressures for sustainability: the role of management control systems" by [Wijethilake et al. \(2017\)](#) is an extremely thorough and comprehensive look at how firms can embed sustainable practices in their organizations using MCSs. A clear learning point for firms is that a continuous dual focus on efficiency and sustainability is not only possible but necessary to meet the needs of consumers and governments alike.

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Reference

Wijethilake, C., Munir, R. and Appuhami, R. (2017), "Strategic responses to institutional pressures for sustainability: the role of management control systems", *Accounting, Auditing & Accountability Journal*, Vol. 30 No. 8, pp. 1677-1710.

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