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Managing for integration: a longitudinal analysis of management control for sustainability

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ABSTRACT

Based on a longitudinal eight-year study (2006–2014) in a large Italian food co-operative, this paper analyses whether and how the development and the use of sustainability control systems have been able to promote the integration of sustainability within organisational strategy. The co-operative has implemented three main instruments (sustainability report, sustainability annual plan and participatory social plan), which have been able to promote sustainability integration by inducing technical integration and reinforcing the cognitive enablers. However, strong cognitive (and organisational) barriers have gradually stifled the cognitive enablers and have not enabled sustainability to be fully integrated into the organisational strategy. As such, the integration process was marginalised, also due to the negative economic performance of the co-operative. The paper shows that sustainability integration remains a fragile concept even in a co-operative, despite the similarities between co-operative values and the principles of corporate social responsibility. Theoretically, the paper offers empirical evidences concerning management control literature for sustainability.

1. Introduction

Management control system(s) involve coordination, resource allocation, motivation and the performance measurement of human, physical and financial resources. At the same time, management control system(s) may also be effective for embedding sustainability issues into organisational strategy (Baker and Schaltegger, 2015; Burritt and Schaltegger, 2010; Schaltegger and Burritt, 2010). Using management control system(s) to integrate sustainability into organisational strategy can reduce the use of natural resources, promote healthy work spaces, and provide a better view of how business might be impacted by environmental and social changes and challenges (Bebbington and Thomson, 2013). Through the integration between sustainability and strategy, promoted by management control system(s), the requests of stakeholders can be considered within planning and reporting activities, and accountability can become more transparent (Ball and Milne, 2005). Integration may increase the awareness of managers and employees (Contrafatto, 2014), leading to changes at operational, commercial and strategic levels (Epstein and Buhovac, 2014). However, integrating sustainability within organisational strategy is not straightforward, since it requires the alignment of several interrelated technical, organisational and cognitive aspects together with the use (diagnostic and/or interactive) of management control systems (MCSs) and sustainability control systems (SCSs) (Gond et al., 2012).

To date, as indicated by Baker et al. (2011) and Crutzen and Herzig (2013) only a few studies have analysed the role of MCSs in the integration of sustainability into organisational strategy, and few have addressed the development, structure and use of SCSs (Ditillo and Lisi, 2014). Durden (2008), for example, found that MCSs do not measure or monitor social responsibility, and that therefore they do not contribute to sustainability integration. On the other hand, Riccaboni and Leone (2010) empirically shown that management control systems are able to promote sustainability integration. The importance of integrating, and studying, specific SCSs with the more traditional MCSs has also been highlighted, as this helps to ensure that business operations are run in conjunction with sustainability issues (Buhr and Gray, 2012; Henri and

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Journeault, 2010; Schaltegger, 2011). In fact, if SCSs are used as 'autonomous' tools and do not inform a company's conventional MCS, they may "remain peripheral and decoupled from core business activities and fail to reshape strategy" (Gond et al., 2012, p. 206).

The aim of this paper is thus to investigate whether and how the development and use of SCSs have been able to integrate sustainability within organisational strategy. Data were collected through a longitudinal study of a large Italian co-operative food retailer, the COOPERATIVE, which was investigated over a period of eight years (2006–2014). As a theoretical framework, the study adopts the model of Gond et al. (2012) and analyses technical, organisational and cognitive integration and the different uses of SCSs and MCSs. To the best of the authors' knowledge, the present study represents the first analysis that investigates, from the lens of the management control system, the integration of sustainability into organisational strategy in the context of co-operative enterprises (see the special issues in *Business History* (2012) Vol. 56 No. 6, and in *Organization* (2014) Vol. 21 No. 5, for recent analyses concerning the management of co-operative enterprises).

Co-operative enterprises represent an interesting empirical setting to study sustainability issues because, since their origin, they have contributed to eradicating poverty, creating employment, and facilitating social cohesion (Zamagni and Zamagni, 2008), all related to the topic of sustainability. In addition, co-operatives have a set of particular principles (e.g. democratic participation) comparable with corporate social responsibility principles that influence how these organisations are administered (Heras-Saizarbitoria, 2014). Theoretically, co-operative enterprises have an "innate advantage" concerning the management, measurement and communication of sustainability. However, this "innate advantage" is not a sufficient condition for the integration of sustainability within organisational strategy because the co-operatives' values and corporate social responsibility principles can only be effectively embedded into organisational strategy through the development and use of appropriate MCSs and SCSs (Arjaliès and Mundy, 2013; Mundy, 2010).

The paper enriches Gond et al.'s (2012) theoretical conceptualisation of the integration between SCSs and MCSs in two main ways. Firstly, the longitudinal analysis responds to Gond et al.'s (2012, p. 220) call for extended studies aimed at empirically investigating organisational transformation concerning sustainability integration. Longitudinal studies are fundamental in assessing sustainability because sustainability integration occurs over a long period of time (Contrafatto and Burns, 2013). Secondly, the paper sheds light on sustainability integration through a variety of control systems and the related enablers and/or barriers by examining how such integration takes place (Moon et al., 2011). In doing so, the study adds empirical findings to the literature on management control for sustainability (Bebbington and Thomson, 2013; Crutzen and Herzig, 2013; Henri and Journeault, 2010).

The paper is structured as follows. Section 2 introduces the theoretical framework used. Section 3 highlights the core traits of co-operative enterprises. Section 4 presents the research method. Section 5 describes the key characteristics of the organisation, presenting the case analysis. Section 6 discusses the results. The final section presents the conclusions and possible future research.

2. The theoretical framework

Management control represents a set of 'formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities' (Simons, 1995, p. 5). As demonstrated, MCSs play a significant role in ensuring that environmental and social activities are incorporated into an organisation's strategic plans and objectives (Arjaliès and Mundy, 2013). In order to evaluate the modes of sustainability integration within organisational strategy, Gond et al. (2012) focus on the various uses of both MCSs and SCSs – diagnostic vs. interactive – as well as their level of integration on three dimensions (technical, organisational and cognitive) to delineate eight ideal-types of organisational configurations. The framework is based on the concept of 'control system use' (Simons, 1995). As highlighted by Simons (1995), the use of control systems can be diagnostic or interactive. Diagnostic control systems are "formal information systems that managers use to monitor organizational outcomes and correct deviations from pre-set standards of performance" (Simons, 1995, p. 59). Diagnostic control systems can be used to monitor compliance with external regulations and standards, to facilitate decision making, and to provide information on social and environmental activities and performance for external stakeholders. Interactive control systems on the other hand focus on strategic uncertainties, i.e. the emerging threats and opportunities upon which the current strategy is based. They offer an opportunity for learning by stimulating attention and dialogue on internal and external aspects. When a top manager decides to use a tool in an interactive way, he/she requires the employees to be involved in the analysis of environmental uncertainty and in the ways to change and improve managerial and operational aspects. Interactive systems are used to control and correct actors' actions, focusing the actors' attention on key goals and supporting changes aligned with strategic objectives. They require intensive dialogue and frequent personal interactions between top managers and subordinates.

Arjaliès and Mundy, 2013 showed that a variety of MCSs, such as the environmental management system, the code of conduct and formal meetings are used to discuss corporate social responsibility practices in relation to strategic objectives. Rodrigue et al. (2013) showed that the use of internal environmental performance indicators, both in a diagnostic and interactive way, has embedded environmental issues into organisational decisions. Both studies recognise the important role of MCSs in managing threats and opportunities linked with sustainability and in stimulating the integration of sustainability. According to Gond et al. (2012), integration is perceived as a socio-technical process based on the level of overlap between the MCSs and SCSs. This level depends on technical, organisational/social and cognitive components.

Technical Integration refers to the need to consider the individual practices of sustainability control within a broader system of management control. This is defined as "the integration of regular MCSs with activities and systems that can be described as internal sustainability control systems but are dealt with outside the management control function of organizations" (Gond et al., 2012, p. 209). Technical integration involves, for example, the links between the two types of systems, such as a common information system to gather information, and the integration of sustainability indicators within a performance measurement system. In fact, a lack of environmental and social information is considered as a barrier to effective analyses to support decision making (Battaglia et al., 2014; Dillard, 2008).

Organisational integration refers to how actors and processes are organised around sustainability, and whether hybridisation and socialisation occur between different actors and structures in order to focus on sustainability. The central assumption of organisational integration is that sustainability issues can be adequately managed and measured only if the roles and formal structure of organisations are established in a way that facilitates an analysis and discussion on the topics among all the staff. Organisational integration mobilises the focus on environmental and social issues that are considered important, thus facilitating more inclusive managerial

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