

The integration of sustainability and externalities into the “corporate DNA”: a practice-oriented approach

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Abstract

Purpose – This paper aims to present a methodology to establish and integrate formal sustainability control systems (SCS) into management control systems (MCSs). The innovative approach aims at contributing to the need for SCS integration by permeating and transforming MCSs so that positive and negative externalities can be internalized into the financial performance measurement and reporting.

Design/methodology/approach – In an exploratory process, control systems were closely connected with financial accounting within four interrelated – ecologic, social, financial and knowledge-related – dimensions. Building on the action design research, multicriteria key performance indicators (KPI) for these dimensions were developed. Four value-based small and medium-sized enterprises of the food

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The paper presents a methodology to establish and integrate formal sustainability control systems (SCS) into management control systems (MCS). The innovative approach aims at contributing to the need for SCS integration by permeating and transforming MCSs so that positive and negative externalities can be internalized into the financial performance measurement and reporting.

Design/methodology/approach

In an exploratory process, control systems were closely connected with financial accounting within four interrelated - ecologic, social, financial and knowledge-related - dimensions. Building on action design research, multicriteria key performance indicators (KPI) for these dimensions were developed. Four value-based SMEs of the food sector developed KPIs in interactive and participative workshops and interconnected their own business model with their

sustainability principles. Constantly revising conformity, specific S.M.A.R.T. goals and related activities were defined, thereafter being used for KPI measures and for input in financial accounting.

Findings

The workshop series reveals the importance of including relevant stakeholders, multiple feedback loops and permanent dialogue to abolish cognitive barriers. The approach enables the development of multicriterial KPIs and identification of costs and benefits for an integrated financial accounting.

Originality/value

The paper contributes to practice and research in the field of SCS by providing insights into the process of an explorative workshop series developing multicriteria KPIs for controlling and financial accounting.

Paper type

Case study

Keywords

Management control systems, sustainability control systems, financial accounting, key performance indicators, action research

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