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Objective

This explorative study investigates how **corporate social goals** of family businesses **materialize** in their respective **management control systems** (MCSs).

Introduction

- **Sole profit orientation** is becoming increasingly **insufficient** for businesses to satisfy stakeholders
- Long-term investment in sustainability is required, and companies are challenged to behave in **environmentally sustainable** and **socially responsive**

WAYS (Adams & Frost, 2008; Arjaliès & Mundy, 2013; Contrafatto & Burns, 2013; Ditillo & Lisi, 2016; Joshi & Li, 2016)

- **Demands from stakeholders** force the implementation of sustainability into the corporate **strategy** (Bartolomeo et al., 2000; Herremans & Nazari, 2016; Nazari et al., 2015; Pérez-López et al., 2015; Porter & Kramer, 2006; Rodrigue et al., 2013; Searcy, 2012)

Motivation

- Accounting must expand its responsibility and incorporate **social goal orientation into MCSs** (Joshi & Li 2016)
- Materialization of social goals in MCSs enables companies to **quantify social initiatives** and to ensure that these initiatives are carried out in the company's interests
- It is still largely **unknown** how this social goal orientation materializes in the MCSs of the respective companies

Research Gap

- Most studies on sustainability control systems focus on **sustainability as a whole** or **only** examine **environmental** initiatives as one aspect of sustainability – **social goals** and their materialization in MCSs remain relatively **unexplored** (e.g., Buhr & Gray, 2012; Crutzen & Herzig, 2013; Derchi et al., 2013; Durden, 2008; Ferreira et al., 2010; Gond et al., 2012; Herzig et al., 2012; Lueg & Radlach, 2016; Moore, 2013; Owen, 2008; Pérez et al., 2007)
- There exists an **“absence of systematic consideration of social aspects of sustainable development ...”,** despite ecological concerns having significant social (and economic) ramifications. It is as if the **accounting literature has picked up one aspect of sustainable development and extrapolated this to encompass the whole concept”**. (Bebbington and Thomson 2013, p. 281)
- **Social goal orientation** is an equally significant aspect of sustainability and therefore **requires equal investigation** with regard to Management Accounting and Control (MAC)

Findings: How do social goals materialize in results controls?

- Family/CSR/steering committee, round table, etc. deciding on social goals/budget & evaluating performance
- Corporate foundation & employee foundation deciding on social goals/budget & evaluating performance
- Fixed budgets for donations, etc. with social purpose; social budgets for employee health management, innovation, research & development, etc.
- Variable budgets for donations, etc. with social purpose (e.g., percentage of company profit)
- Guidebooks, etc. for examining the scope of action in the definition & evaluation of social goals & initiatives
- Performance Measurement Systems & KPIs with social indicators (e.g., Sustainable Balanced Scorecard, job tenure & labor turnover rate, accidents & cases of corruption at work)
- Sustainability report & sustainability officer documenting & evaluating performance

Findings: How do social goals materialize in action controls?

- Employee dialogue on informal basis involving soft, social factors & standards
- Management grading system (in categories such as social & leadership skills)
- Interview guide for employee dialogue covering social topics
- Code of conduct, code of ethics, compliance management system, supplier questionnaire, etc. containing social behavioral guidelines for day-to-day business decisions
- Whistleblowing system to report violations of social behavior
- Audits, awards, certifications, ratings, own inspection certificates, etc. on social circumstances

Findings: How do social goals materialize in personnel controls?

- Social goal setting during employee dialogue
- Setting appropriate incentives regarding financial as well as social orientation by focusing on the human, cultural & social aspect
- Training & education on social values & skills, corporate culture, CSR, compliance, etc. for employees monitored via points accounts/budgets
- Mandatory training & education courses on social goal orientation & values for managers
- Standardized questions or personality tests in job interviews to determine the extent to which applicants' values, standards & mindset match the corporate culture & social goals
- Queries for management & leadership positions to check for compliance with soft & social factors

Findings: How do social goals materialize in cultural controls?

- Tone at the top: managers exemplifying social values; employee-management conversation on equal terms
- Trainings, educational programs & assessment centers on social goal orientation, values & team identity
- Family carta defining social principles & business purpose
- Books, brochures, company magazines, etc. communicating values & social initiatives for a sense of unity
- CSR/steering committee, round table, etc. evaluating social goals initiatives & representing management attention
- Communicating social goal orientation via employee newsletters, annual reports, goal setting charts, personal speeches, videos, emails, roadshows, management meet and greet, etc.
- Employee foundation deciding on social goals/budgets & giving employees a voice
- Corporate foundation safeguarding the company's traditions & tone at the top
- Non-profit subsidiary providing scientific studies to society free of charge
- Mission statements, guiding principles, code of conduct, etc. covering social behavioral guidelines to build up common culture & sense of unity

Method

- **Exploratory study** drawing on semi-structured, open-ended interviews and a subsequent **qualitative analysis**
- **Semi-structured interviews** with German family businesses, characterized by a broad range of sizes and industries
- Interview sample is composed of **eleven** family business **representatives in leading positions**
- **Family businesses** have been observed to be particularly interested in and focused on social goal orientation to **improve the common good of society** (e.g., Gomez-Mejia et al., 2014; Liu et al., 2017; McGuire et al., 2012; Nekhili et al., 2017; Singal, 2014)
- Merchant and Van der Stede's (2017) **MCSs** serve as **fundamental framework**

Discussion

- We were able to identify concrete manifestations of the materialization of corporate **social goals in all four management controls**
- Companies can apply control mechanisms to **align employee behavior** with their social goal orientation: **Dominant** role of **cultural controls** for this endeavor
- Interestingly, many of the manifestations do **not** refer directly to the **formal and quantitative evaluation** of social initiatives
- Rather, the decisive factor for employee motivation is that their **own performance** also influences the **achievement** of the corporate **social goals**
- Awareness that employees' performance contributes to social goals **increases their intrinsic motivation** and can lead to **increased** attributed **responsibility** or **reduced** need for **control**

Contribution

- Reducing the gap of inexplicit and mainly **environmentally-focused** approaches to **sustainability in accounting**
- Focusing on **social goals** as one aspect of sustainability and investigating their **materialization in MCSs**
- Bridging **two research domains** and contributing to a combination of both the literature on **sustainability**, with its specific dimension of social goal orientation, as well as the literature on **MAC**