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EXTENDED ABSTRACT

Title: ***The impact of multiple value creation on management control systems: An explorative case study.***

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Background

We are currently in a transition moving from a linear economy grounded on economic value maximization based on material transformation to a circular economy. Core of this transition is organising value preservation from various yet interlinked perspectives. The underlying fundamental shift is to move away from mere financial value maximization towards multiple value creation (WCED, 1987; Jonker, 2014; Raworth, 2017). This implies moving from mere economic value creation, to simultaneously and in a balanced way creating ecological and social value.

A parallel development supporting this transition can be observed in accounting & control. Elkington (1994) introduced the triple bottom line (TBL) concept, referring to the economic, ecological and social impact of companies. The TBL should be seen more as a conceptual way of thinking, rather than a practical innovative accounting tool to monitor and control sustainable value (Rambaud & Richard, 2015). However, it has inspired accounting & control practitioners to develop accounting tools that not only aim at economic value ('single capital' accounting) but also at multiple forms of capital ('multi capital' accounting or integrated reporting). This has led to a variety of integrated reporting platforms such as Global Reporting Initiative (GRI), International Integrated Reporting Framework (IIRC), Dow Jones Sustainable Indexes (DJSI), True Costing, Reporting 3.0, etc. These integrated reporting platforms and corresponding accounting concepts, can be seen as a fundament for management control systems focussing on multiple value creation.

This leads to the following research question:

How are management control systems designed in practice to drive multiple value creation?

Problem analysis

The application of integrated reporting in practice has grown significantly over the last decade (Rinaldi, et al., 2018). A report issued by KPMG (2017) shows that 93% of the world's largest companies publish an integrated report. Despite the continuing development of integrated reporting, several authors have initiated a critical reflection on the development and evolution of integrated reporting (Brown & Dillard, 2014; Flower, 2015; Tweedie & Martinov-Bennie, 2015; Haji & Hossain, 2016; Humphrey, et al., 2017). One of the frequently heard criticism is that these frameworks and guidelines create legitimization for external greenwashing, instead of enhancing multiple value creation. (Boiral, 2013; Cho, et al., 2015; Sundin & Brown, 2017; Boiral & Diouf, 2017). It is therefore interesting to determine what organizations actually do to create multiple value. This can be accomplished by examining how integrated reporting is integrated within the organization and its management control system (Villiers, et al., 2014).

The term "control" as it applies to a management function does not have a universally accepted definition. A conventional view of a management control system is that of a cybernetic or regulating system involving a single feedback loop analogous to a thermostat that measures the temperature, compares the measurement with the desired standard, and if necessary, takes a corrective action (Anthony, 1965). In this study, however we take a broader view. In our approach management control systems focus on encouraging, enabling or, sometimes, forcing employees to act in the organization's best interest (Merchant & Van der Stede, 2012). This also implies stimulating search and learning, allowing new strategies to emerge as participants throughout the organization respond to perceived opportunities and threats (Simons, 1995).

Although we have found some studies regarding the design of management control systems aimed at multiple value creation (Arjaliès & Mundy, 2013; Lueg & Radlach, 2016; Maas, et al., 2016), numerous studies confirm the need for further empirical research in this field (Gond, et al., 2012; Hartmann, et al., 2013; Villiers, et al., 2014; Ditillo & Lisi, 2016; Sundin & Brown, 2017; Latan, et al., 2018). In this study we respond to the need for further empirical research on this theme.

The theoretical perspective of this study is based and further deepened on a conceptual study that we conducted regarding multiple value creation in relation to accounting concepts as an important fundament for management control systems. One of the conclusions of this study is that existing accounting concepts are difficult to apply in controlling multiple value creation (Willekes, et al., 2019).

Despite all the critique and lack of knowledge regarding multiple value creation and management control systems, several companies in different sectors seem to actively and successfully monitor and control the development of multiple value creation. It seems that these companies are ahead of the academic debate and resulting theory.

The aim of this study is therefore to gain knowledge on how these companies design and use management control systems to drive multiple value creation.

Research method

A qualitative multiple case study is chosen, in which reality is approached from different perspectives. The method is exploratory in nature and takes an inductive approach theorising from the empirical data collected.

Case selection

This study conducts research at twenty companies that are selected on the basis of purposive sampling. The most important criterion for the selection of these companies is that active management control of multiple value creation takes place, so that the objects to be investigated fall within the scope of the research question. Indications for the existence of management control systems focussing on multiple value creations are:

- The presence of a 'sustainability manager';
- Discussions with management, which show that the company focuses on sustainability;
- The integrated report, which shows that sustainability plays an important role in the company's strategy;
- High ranking on Sustainability indices (eg The Dow Jones Sustainability Index).
- Winning sustainability awards.

A conscious choice was made to include different types of companies in different sectors in this study (listed, private, and public companies). This increases the chance to observe various mechanisms and approaches with regard to the phenomena to be investigated (Adams & Frost, 2008; Ditillo & Lisi, 2016).

Data collection

Interviewing is chosen as the primary method of collecting data. This method is chosen to obtain an inside understanding of the selected cases. This inside understanding is crucial to learn management control systems, since these systems are internally oriented.

For most case studies three interviews are conducted, leading to a total dataset of fifty interviews. Within every case study the interviews highlight three perspectives:

- Strategy
- Sustainability (or Multiple Value Creation)
- Accounting & Control (or Management control systems)

These three perspectives are the sensitising concepts for this study. A research question is attached to every sensitizing concept. These three research question form the foundation for the interview guides. The interview guides are tested during trial interviews. The relation between the sensitising concepts and the research questions is shown in figure 1:

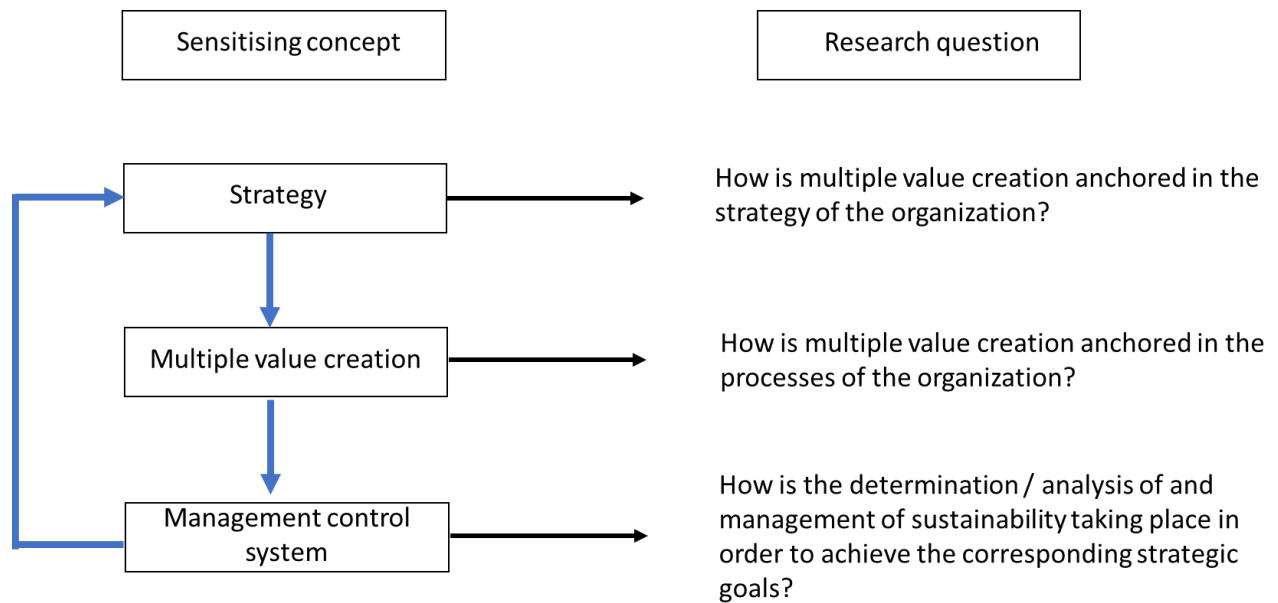


Figure 1: Sensitising concepts and related research questions.

The secondary method of data collections is desk research and is built mainly on public information. This information is based on, but not limited to:

- Integrated reports;
- Information of the company on their website;
- Articles about the company published in newspapers (also used for triangulation).

But also during the interviews, relevant internal documents which are shared by the interviewee, form part of the data set.

Methods of analysis and interpretations

Data analysis will be performed in May, June, July and August, using the software programme ATLAS.ti.

The collected data will be analysed using grounded theory, resulting in a bottom up approach. First the data will be segmented into parts, followed by reassembling the parts again to a coherent whole (Boeije, 2010). The approach is being designed based on the following four iterative phases:

- Exploration -> concepts will be discovered based on an open coding process;
- Specification -> concepts will be organised and linked to each other based on axial coding;
- Reduction -> core concepts will be developed;
- Integration -> elaborate on theory.

The research team has a lot of theoretical and practical knowledge of the sensitising concepts. This increases the potential to make sense of the collected data. The data to be coded will not be limited to the transcribed interviews and the collected internal and public document, but will also include field notes, notes during the interviews, memo's etc.

The knowledge of the research team entails the risk of bias. To limit the risk of bias, the coding process will be reviewed by independent researchers during the different phases of the coding process.

Expected results and preliminary conclusions

The contributions of our study is to fill in the gap of limited empirical research on the impact of multiple value creation on management control systems, contributing to the scientific debate on this relatively unexplored topic. We expect to discover patterns that form the possible beginning for theory building on this subject.

Preliminary conclusions are expected to be drawn during May-June of this year, during the analysis and interpretation phase of this study. During the NBM 2020 conference, we are quite happy to present and share the preliminary conclusions of our analysis with the audience in an interactive workshop.

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