

Legitimising sustainability disclosures within organisations: the role of Management Control Systems

Purpose - The purpose of this research work is to explore how Management Control Systems (MCSs) could support sustainability disclosures' legitimation within organisations. Broadly, this study aims at engaging with research at the intersection between MCSs and sustainability, and nurturing insightful interplays between management accounting and sustainability accounting literature. Specifically, the research intends to investigate how sustainability disclosures happen within organisations, which accounting and control mechanisms organisations use for sustainability, and how specific formal and informal control mechanisms legitimise sustainability disclosures within organisations.

Design/methodology/approach - This exploratory study adopts a qualitative method with an interpretive approach. Drawing on a self-constructed theoretical framework, which relies on a refined conception of legitimacy theory, this research investigates a single-case of an Italian Public Interest Entity operating in the multi-utility industry. Data includes in-depth semi-structured interviews with sustainability reporting managers, management accountants and controllers, active participation in key-organisational meetings, observations and documentary evidence. A reflexive thematic analysis with an inductive approach is used in data analysis.

Findings - This research finds that MCSs support sustainability disclosures legitimation in a complementary way. Particularly, formal MCSs – strategic planning, budgeting, and hybrid measurement systems - and informal MCSs – communication, interaction, and motivation - enable and sharpen, respectively, legitimation strategies for sustainability disclosures within the case organisation. These control mechanisms play a significant role in shaping organisational sustainability.

Originality/value - This study is among the first to explore the role of MCSs in legitimising the sustainability disclosures' Directive with an internal perspective of investigation. Particularly, the study advances knowledge into the ways MCSs support sustainability disclosures legitimation within organisations. Moreover, it enriches our understanding of the role of MCSs in enhancing organisational sustainability through legitimation strategies.

Contribution - This research provides a number of additions to the current literature. First, it progresses research on disclosures prompted by the EU Directive - and recent Omnibus proposal. Second, it contributes to the research field on the role of MCSs for sustainability. Third, it contributes to the management accounting and control literature by advancing understanding of the formal and informal MCSs. Fourth, it answers the call for further refinement of legitimacy theory through field-based studies, engaging with qualitative research in management accounting and sustainability accounting.

Research implications - The theoretical framework proposed in this research sets a foundation for future research to more comprehensively understand sustainability disclosures processes and practices within organisations by considering the legitimation dynamics embedded into both formal and informal control mechanisms.

Practical implications - Accountants, controllers, and managers will be interested to learn how the use of MCSs facilitates sustainability disclosures within organisations. Moreover, they may consider performing the legitimation strategies documented in this research.

Regulators and governing bodies may also benefit from the findings of this study in their quest to strengthen sustainability disclosures regulation.

Social implications - The theoretical framework introduced in this study could have multiple social implications beyond the confines of this research. For instance, focusing on the informal control mechanisms proposed, effective implementation of any new practice among diverse sets of social actors requires communication to persuade key audiences and promote standardisation of the new practice; interaction to foster engagement and influence key audiences; and motivation to ensure that key players' interests are aligned, through ideological and preference mechanisms, so they can be relied upon.