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A Controlling Path Towards a Sustainable Success

An in-depth study on how Management control systems is used to implement a sustainable strategy

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Abstract

Because of an urge for companies to take responsibility for a green transition, an opportunity for businesses to gain a competitive advantage has arisen. Through the lens of the theoretical framework of Simon's levers of control (1995), this study will examine how a strongly sustainability-connected company uses management control systems to create a sustainable strategy. The interviews were conducted using a qualitative method to gain empirical data, where three key findings are found. Firstly, the study provides insights into how the four levers of control are used to create dynamic tensions and enable the firm to perform sustainable practices. Secondly, we show how the dominance of the belief systems functions as a foundation for the other levers, thus mitigating challenges that appear during times of uncertainties and lack of a concrete relation between financial and non-financial metrics. Lastly, using ESG as a critical and crucial variable enables the firm to exercise control through ESG, thus developing one strategy consistent with considerations to society and the business profitability.

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Keywords: Management control systems, Levers of control, Sustainability, ESG, Controlling

1. Introduction

1.1 Background

Sustainability issues have become more evident in recent years, witnessing climate disasters, pandemics, and social inequalities. These challenges concern environmental and social issues, pressuring companies to pursue more responsible business activities. Consequently, sustainable business practices have received more recognition due to their growth potential to achieve a competitive advantage (McKinsey, 2011). Due to this increasing importance, companies search for ways to conduct responsible business actions to operate within planetary boundaries while also achieving profitability. According to Porter & van der Linde (1995), implementing sustainable practices in the business strategy can benefit society and companies' profitability.

Several studies emphasize the crucial role of management control systems (MCS) in successfully implementing a strategy (e.g., Ouchi, 1977; Simons, 1995). Research further argues that MCS can create motivation, enhance innovation and mitigate potential threats, allowing organizations to reach their strategic goals. Moreover, MCS can support businesses to be more sustainable by implementing sustainable strategies and policies (Crutzen, Zvezdov et al. 2017, Arjaliès, Mundy, 2013).

Building on the above relationship between ESG and MCS highlights why it would be interesting to investigate this further. In doing this, we will address the role of MCS when implementing a sustainable strategy by examining an electric vehicle manufacturer, externally recognized and with a vision to disrupt its traditional industry with its sustainable product (SustainOne, 2022).

1.2 Problem

As businesses play an essential role in the transition towards a more sustainable society, it is vital to understand how to implement sustainable practices into a company's operations efficiently. However, despite the growing recognition of ESG, companies struggle with the implementation processes between ESG and MCS. The process is perceived as comprehensive and requires businesses to rethink their traditional methods and knowledge to succeed (Beusch, Frisk, et al. 2022). This shows the need for a broader understanding of how sustainability practices contribute to value creation and fulfill the selected strategic goals, highlighting the importance of further studying the relationship between ESG and MCS. To gain this deeper understanding, a qualitative case study will be conducted to get an in-depth view of our selected company.

A prominent framework within the area of implementing a business strategy has been the theoretical framework of Robert Simon's (1995) Levers of Control; consisting of four systems; *belief*, *boundary*, *interactive* and *diagnostic*. Whereas earlier research has studied a sustainable strategy as a separate strategy, decoupled from the business strategy (Gond, Grubnic et al. 2012), we will study how ESG can be integrated into the business strategy. In addition, most previous studies have been conducted on established enterprises. However, we will study a scale-up company, implying that the control practices and implementation processes might differ from a mature firm.

These problems call for more qualitative research to investigate nuances of how MCS can be used to implement a sustainable strategy, which we considered to be a gap in the existing literature. A qualitative research method will be used to gain deeper insights into the role of a company's MCS in creating structures and processes to enable the implementation of ESG. Through the lens of Simons' levers of control, this paper qualitatively examines the implementation process of a sustainable strategy.

1.3 Purpose and Research Question

This study aims to further contribute with in-depth knowledge of how sustainability is implemented into a company's strategy. This is done by studying what sustainability implies for the company in question, what practices they use in the implementation process, and what potential challenges and opportunities it may entail. Hence, the research question of this thesis is formulated as; *How does a company use MCS to implement a sustainability strategy?*

1.4 Contribution

This study provides the following three contributions. First and foremost, the study will contribute to existing qualitative research in the field of Management control systems and its role in implementing a sustainable strategy. In our study, we find that extensive use of Simons all four levers of control can create dynamic tensions and enhance the implementation of a sustainable strategy. Earlier research has focused on balancing informal and formal control to implement a strategy (Crutzen, Zvezdov et al. 2017) successfully. This paper will contribute with nuance by showing a more specific use of MCS by balancing the four levers of control. Secondly, the study shows how the dominance of belief systems can support employees and be used as guidance in the creation of a new strategy and through situations characterized by uncertainties. Lastly, this paper contributes to research within the implementation process of a sustainable strategy by providing a deeper understanding of the power of ESG. Using ESG as the crucial variable in controlling a business, a company can avoid a decoupled sustainability strategy. Meaning that they develop a strategy where sustainability and business objectives are intertwined into one strategy.

2. Theory and Literature Review

The literature review will serve as a foundation of this thesis and provide previous research within ESG and management control systems (MCS). With the aim of bridging ESG and MCS, the review starts by introducing and defining the ESG topic in accounting, followed by an examination of MCS and its interplay. Next, the section moves on to the chosen framework of Simon's levers of Control.

2.1 Environmental, Social, and Governance (ESG) in Accounting

2.1.1 Previous Research on ESG

Due to the growing sustainability awareness, various concepts, and definitions of being a sustainable business have emerged. The common factor of these is how firms can adopt responsible actions in order to operate within the planetary boundaries, in line with the UN Sustainable Goals (Marrewijk, 2003). Environmental, social, and governance (ESG) refer to standards for measuring objectives for evaluating an organization's impact on society and its environment. Similarly, Corporate Social Responsibility (CSR) refers to social and environmental activities that are voluntarily implemented to advocate environmental and social issues (European Commission, 2001). Sustainable development (SD) is another concept, proposing an 'account of sustainability' (Gray, 1992) defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (United Nations World Conference Environment and Development (UNWCED), 1987, p. 8). Due to these various concepts, we have chosen to include the definitions of SD and CSR through the use of ESG and sustainability.

Several studies have investigated the relationship between financial performance and the implementation of ESG with conflicting evidence (Bansal, 2005; Hopwood et al., 2010). The historical view of an entity's greatest responsibility is its only purpose of increasing its profits (Friedman, 1962), whereas more recently, the importance of sustainable business practices has received more attention due to the growing recognition of yielding a competitive advantage (Porter & Kramer, 2006; Porter & Kramer, 2011; Eccles et al., 2014). In addition, incorporating sustainability into business actions can benefit both the economy and the environment, i.e., a win-win situation (Porter & van der Linde, 1995). However, these sustainability engagements are perceived as difficult to measure as social and economic objectives often conflict (Hart & Milstein, 2003; Epstein et al., 2010; Porter & Kramer, 2011). In an attempt to advance the link between accounting and sustainability, SD has been used to develop the sustainable cost calculation (SCC), used to measure the additional costs that would arise by restoring the environment to its previous state (Bebbington, 2001). Even though the attempt to develop the SCC was unsuccessful (Bebbington, 2001), it gave insightful lessons in terms of realizing that the process of conceptualizing the SCC is more valuable than the actual outcome, as it enables firms to broaden their understanding of the interplay of its actions and the outcome on the environment (Bebbington, 2001). No matter the outcome, this research attempts to account for businesses' actions to understand the effects on their surroundings further.

The reasons why companies aim to implement ESG into their business may vary; while some see it as a tool for risk management, others use it to obtain legitimacy for external stakeholders or gain a competitive advantage (Bansal & Roth, 2000; Porter & Kramer, 2006; Porter & Kramer, 2011; Eccles et al., 2014). Three commonly mentioned reasons are, firstly, to create long-term shareholder value related to social and environmental performance (Adams & McNicholas, 2007; Perez et al., 2007). Secondly, to work proactively, as stakeholders demand to understand the relationship between economic and CSR performance, requiring transparency and proactivity. (Bartolomeo et al., 2000, Burnett and Hansen, 2008, O'Dwyer, 2002, O'Dwyer, 2005, Perego and Hartmann, 2009). Lastly, as risk management, new legislations and external costs need to be considered in business planning as it might imply external costs (Bansal & Roth, 2000; Porter & Kramer, 2006; Porter & Kramer, 2011; Eccles et al., 2014).

Until recently, ESG accounting has primarily focused on external reporting and accountability (Frost, 2007). However, limited research has looked into the implementation process of ESG in organizations' business strategy and the roles of MCS for sustainability (Henri & Journault, 2010; Arjaliès & Mundy, 2013). We will therefore examine the interplay between management control systems MCS and ESG by applying Simon's (1995) definition of MCS.

In summary, due to the growing interest in ESG and how the concepts have developed, more pressure has been placed on organizations as their responsibility involves the environment, society, and the organization's structure. With an ESG focus, companies can increase their long-term value, enable proactivity, work with risk management and thus achieve a competitive advantage.

2.2 Management Control Systems

2.2.1 Previous Research on MCS

Several studies have explored the relationship between Management Control Systems (MCS) and business strategy (e.g., Ouchi, 1977; Simons, 1995; Langfield-Smith, 1997; Ferreira & Otley, 2009; Tucker et al., 2009; Gond et al., 2012; Crutzen, Zvezdov et al. 2017). Some argue that by tailoring MCS to support a specific strategy, firms can enable a competitive advantage (Dent, 1990; Samson et al., 1991; Simons, 1995). Studies further emphasize the importance of MCS to enable organizations to reach their strategic goals (Ouchi, 1977; Simons, 1995; Langfield-Smith, 1997; Ferreira & Otley, 2009; Tucker et al., 2009; Gond et al., 2012). MCS is a central part of establishing a strategy, defined as 'the formal, information-based routines and procedures managers use to maintain or alter patterns in organizational activities' (Simons, 1995, p. 5). Following the above definition of MCS, Simons (1995) further argues that firms can achieve their strategic goals by finding a balance between different control systems while simultaneously managing tensions within their organization, i.e., balancing control while allowing for creativity.

To further elaborate on the above statement, these tensions can be explored through the concepts of controlling and enabling the use of MCS (Mundy, 2010). While controlling is associated with ensuring goal achievement through control, enabling reduces uncertainty and enhances decision-making (Sprinkle, 2003). Dominance and suppression affect an organization's ability to balance these control systems. Dominance occurs when one or more control systems determine how the other systems are used, which can be caused by a historical tendency, i.e., a pattern of using the systems in specific ways. In contrast, suppressions occur when there is an absence of the usage of one control system (Mundy, 2010).

Moreover, according to Langfield-Smith (1997), a strategy is continually being constructed as it can be described as an ongoing development process, shedding light on strategy-building as a dynamic process. Furthermore, MCS is favorable and can strengthen the process of innovation and uncertainties for companies (Gavetti & Levinthal, 2000). It provides information to managers in various processes of decision-making, such as risk management or potential opportunities (Bartolomeo et al., 2000; Schaltegger & Burritt, 2010).

Most studies on MCS are based on established firms (Arjaliès, Mundy 2013; Crutzen, Zvezdov et al. 2017, Beusch, Frisk, et al. 2022); however, as we are studying a scale-up company, its stage in the business life-cycle will differ from a mature company. The product development process is a crucial phase for early-stage high-technology companies, making the innovation stage of MCS even more critical for our case study. Therefore, it is arguable that this company will be at the forefront of the innovation process, differentiating from established companies. Thus, adopting a dynamic yet innovative approach for our scale-up company becomes vital for their growth (Davila, 2009). Recent studies indicate that MCS is crucial to enhance innovation in uncertain settings (Davila, 2009; Gavetti & Levinthal, 2000) and highlights the importance of managing the tensions between reaching predetermined goals while allowing for innovation and creativity (Simons, 1995). With the above perspectives, it is evident that MCS is essential to implement a strategy for our chosen company successfully.

2.2.2 Implementing ESG with MCS

Building on the given literature, MCS can support organizations to be more sustainable if adopted appropriately (Henri, 2006; Marginson, 2002; Mundy, 2010; Otley, 1999; Simons, 1995). To succeed with this, managers need to understand the role of MCS in facilitating ESG (Gond et al., 2012; Perez et al., 2007). One attempt to do so was to develop Sustainable Control Systems (SCS). However, the presence of SCS within an organization has not been recognized due to its focus on non-financial metrics rather than the core concept of strategy building, i.e., gaining profitability (Gond, Grubnic, et al. 2012). One possible reason is that rather than incorporating a sustainable strategy with the business strategy, they are decoupled (Gond et al., 2012, p. 206). One reason for this could be the challenge of connecting sustainability engagements to financial outcomes as environmental, social, and financial objectives are perceived to conflict (Hart & Milstein, 2003; Epstein et al., 2010; Porter & Kramer, 2011). That is, some social issues are perceived as complex to translate into KPIs and relate to financial output. Due to the difficulties of these 'soft measures,' Beusch (2022) emphasizes the importance of communication between different organizational levels, e.g., through dialogues and workshops, allowing for an open climate. In doing this, a shared understanding of sustainability issues can be reached (Beusch, Frisk, et al. 2022).

Nonetheless, previous research has stressed the importance of MCS for organizations to successfully implement sustainable strategies and policies (Crutzen, Zvezdov et al. 2017, Arjaliès, Mundy, 2013; Norris & O'Dwyer, 2004; Durden, 2008; Gond et al., 2012; Günther et al., 2016). Thus, looking further into MCS, it consists of two dimensions that can be used to implement sustainability, formal and informal control. Formal control consists of structures, information-based processes, and routines (Maciarello & Kirby, 1994) to ensure that strategies and plans are correctly implemented (Merchant, 1998; Simons, 1995). While informal control instead emphasizes an individual's ability to influence the organizations, referring to shared values, employee behavior, and beliefs (Abernethy & Vagnoni, 2004; Ouchi, 1979; Markus & Pfeffer, 1983; Simons, 1995).

Building on these two dimensions, management needs to find a balance between formal and informal controls. With predominantly informal controls, companies can enhance sustainability awareness among employees by creating intrinsic motivation (Crutzen, Zvezdov et al. 2017). This is in line with another study, stating that intrinsic motivation will enable a successful strategy implementation using a bottom-up approach. An ESG strategy can thus be implemented when managers invite subordinates into discussions and dialogues, creating a more open climate that can foster creativity and innovative responses (Beusch, Frisk, et al., 2022; Hahn &

Aragon-Correa, 2015; Hahn et al., 2018). Communication can thus be seen as an essential element when implementing ESG (Arjaliès, Mundy 2013).

On the other hand, there is a risk of increased conflicts when there is too much emphasis on informal controls due to a lack of structure and tools for decision-making, especially within those areas where measurements or constraints are inconsistent. In contrast, with mainly formal controls that enable comprehensive structures, implementation struggles may arise due to employees' lack of understanding and involvement (Crutzen, Zvezdov et al. 2017). Building on these perspectives, Crutzen & Zvezdov et al. (2017) argues that organizations, in the long run, will revert to both approaches to mitigate risks and internal conflicts, emphasizing the importance of balancing formal and informal controls (Norris & O'Dwyer, 2004).

In summary, implementing ESG into an organization's business strategy consists of comprehensive operations where both formal and informal systems need to be considered. To succeed, the management has a crucial role when managing their practices, and their level of commitment can broadly impact the process of implementing ESG and mitigating challenges as well as improving performances (Beusch, Frisk, et al. 2022).

2.3 Theoretical Framework

2.3.1 Simons' Levers of Control

The theoretical framework we have chosen is Simons' Levers of control (LOC), which has been used to explore how firms leverage Management Control Systems (MCS) by facilitating creativity while constraining employee behavior. The framework is developed into four levers of control, giving managers tools to manage the tensions between value creation and value control. Simons (1995) states that one of the most important responsibilities of managers is to define the firm's core values and vision, analyze potential business risks, and limit opportunity-seeking behavior.

Historically, economists and management theories have studied the understanding of strategy formation, developing techniques for analyzing organizations rather than exploring how to implement and control these strategies. The framework is developed into four levers of control;

belief systems, boundary systems, diagnostic systems, and interactive systems. These four levers complement each other; belief systems and interactive control systems create positive and inspirational forces, whereas boundary systems and diagnostic systems create constraints and ensure order compliance. Simons (1995) developed the framework to explain how an organization can use MCS to manage uncertainties while emphasizing the importance of innovation, shaping, and constraining the organization. Thus, by using the four levers, companies can reach their strategic objectives and manage tensions within their organization. The power of control lies in the interplay between these levers. The interplay creates dynamic tensions which provide an organization with the opportunity to facilitate efficiency while also allowing for innovation. However, balancing these tensions could be comprehensive, though necessary to achieve goal congruence.

Therefore, to further understand how our chosen organization has used MCS to implement a sustainable business strategy, we use the theoretical framework of Simons.

2.3.2 Simons' Levers of Control and Accounting

Simons' framework has been prominent and frequently used within the research field of MCS (e.g., Abernethy and Brownell, 1999; Bisbe & Otley, 2004; Bonner et al., 2002; Bruining et al., 2004; Marginson, 2002; Tuomela, 2005). The four key levers of control can be used to implement a business strategy where each lever contributes with an essential purpose;

2.3.3 Belief Systems

Belief systems are used to communicate the organization's core values, vision, mission, and purpose statements to inspire and motivate individuals to search for new opportunities (Marginson, 2002; Simons, 1995). Beliefs can be used as guidance to help individuals tackle problems as they arise and guide the search for solutions, hence the importance of communicating the organization's goals and expectations. This can be even more important for companies operating in a development phase, exposed to organizational changes in values and priorities (Bruining et al., 2004). Accordingly, for organizations that conduct business in uncertain conditions, there is also an enhanced need for a clear vision (Speklé, 2001). This can be achieved when managers communicate the company's vision, allowing individuals to contribute while simultaneously providing support. Creating commitment among individuals and making them believe in these core values can enhance performance. This can be a powerful way to give employees a purpose, direct them in a certain direction and create norms that will form the company's culture (Simons, 1995).

2.3.4 Boundary Systems

Boundary systems, on the other hand, have the primary purpose of setting limits on opportunity-seeking behavior commonly expressed in negative or minimum terms. By defining the limits of freedom, managers can delegate decision-making and prevent employees from wasting the organization's resources. Boundary systems thus function as a risk management process and are essential to achieving strategic goals (Binder, 2007; Tessier & Otley, 2012). Furthermore, boundaries are most commonly imposed by policies and codes of conduct consisting of societal laws, the organization's belief systems, and codes by industry, i.e., learning from other entities. To avoid boundary systems from being over-constraining, it is important to state these clearly and pursue frequent reviews (Simon, 1995).

2.3.5 Diagnostic Control Systems

Simons (1995) states that businesses cannot function without diagnostic control systems. "Diagnostic control systems are the formal information systems that managers use to monitor organizational outcomes and correct deviations from preset standards of performance" (Simons, 1995, p.59). These systems are used to compare performance against targets (Abernethy & Brownell, 1999; Simons, 1995; Simons, 1995), identify deviations, and provide feedback to ensure goal achievements (Fisher, 1995). Analyzing the firm's strategy and setting specific goals, e.g., profit plans and budgets, can provide benchmarks for identifying issues. Further, diagnostic control measures the output of critical performance variables based on a company's specific strategy to optimize effective resource allocation. Once critical variables are identified, diagnostic control systems ensure they are used effectively. Feedback information is then essential in order to correct identified deviations and to be able to implement new strategies. In addition, diagnostic levers can be used to motivate, monitor, and reward achievements (Emsley, 2001; Ittner & Larcker, 1998; Kato et al., 1995; Norman, 2001). Linking incentives to goal achievements allow individuals to be rewarded for their efforts, both in monetary terms and noneconomic, such as recognition.

2.3.6 Interactive Control Systems

Diagnostic control systems are insufficient when operating in rapidly changing markets requiring constant innovation and adoption; management needs interactive systems. While diagnostic control systems constrain opportunity-seeking behavior and innovation, interactive control systems have the opposite effects, focusing on strategic uncertainties and renewals (Simons, 1995). Strategic uncertainties could threaten a business strategy that is unique to each business based on its strategy and strategic visions. Simons (1995) states that interactive control systems stimulate learning and allow new strategies to emerge. That is, information is spread throughout the organizations as managers involve themselves regularly in the activities of employees, enabling an exchange of ideas in different business units (Abernethy & Lillis, 1995; Speklé, 2001). In this way, meaningful conversations can engage subordinates and motivate them to search beyond narrow routines (Simons, 1995).

2.3.7 The Interplay Between the Four Levers of Control

Studying the interplay between the four different levers of control is essential to successfully implementing a new strategy. In doing this, organizations need to understand the four strategic variables; core values; risk to avoid; critical KPIs, and strategic uncertainties. Combining these can generate a "dynamic tension between opportunistic innovation and predictable goal achievement that is essential for positive growth" (Simons, 1995, p. 153). These tensions are created when the levers simultaneously are used to facilitate the implementation of strategic objectives (Bruining et al., 2004; Henri, 2006; Mundy, 2010; Widener, 2007).

The link between belief and boundary systems can be seen in an organization's norms and culture. The culture is developed from its belief systems which will then be the foundation for the rules in boundary systems, which will continue to develop the culture. In order to build a solid organizational base of beliefs, it is essential to have management onboard genuinely believing in these values, and with a cohesive management team, interactive controls will be enhanced. To further build on this, a strong belief system can also mitigate the diagnostic elements of becoming too mechanical (Simons, 1995). This highlights the central role of belief systems and how it underpins how the other levers operate (Widener, 2007).

Moreover, the balance between the interactive and diagnostic use can be expressed as emergent (bottom-up) and intended (top-down) strategies while also searching for opportunities and managing risks by using the processes of belief and boundaries (Arjaliès & Mundy, 2013). In this way, organizations' usage of these levers will reflect their values and the view of their subordinates (Simons, 1995). Compared to diagnostic systems, interactive processes tend to require more attention to navigate strategic uncertainties (Bisbe & Otley, 2004; Marginson, 2002); interactive processes can thus be more time-consuming and costly (Widener, 2007).

However, managing these four systems of control requires a lot of effort and attention from management, and effectively permeating the beliefs of a business can be comprehensive and time-consuming.

3. Method

3.1 Research Method

The purpose of the following section is to describe how the empirical study has been designed and conducted. First, it presents the research method and reasoning for choosing this specific company. Next, it introduces the data collection, and the final section concludes with insights into our empirical data analysis.

In order to explore our research question, the chosen methodology is a qualitative case study with an abductive approach. Depending on the research objective, case studies can be structured in different ways (Ryan, W. Scapens, et al. 2002). The purpose of this study is to analyze how an organization uses MCS to implement ESG into its business strategy. Further, the qualitative method enables us to study this phenomenon on a deeper level in order to get a better understanding of our chosen research question (Lee & Humphrey, 2006). In addition, due to the limited time frame, the study will be a single-case study (Yin, 2014), consisting of interviews from one company providing an even more in-depth understanding of the selected organization. The interviewees included a range of participants from upper management to middle managers. Hence we avoided the issue raised by Crutzen, Zvezdov et al. (2017) and Herzing (2013) that several studies on the relation between ESG strategy and control systems are based on too few members from the top management. Furthermore, interviews are one of the most valuable sources of information when performing a qualitative case study (Yin, 2003), which indicates that the research method corresponds well to our selected case.

In addition, the study has been conducted using an abductive approach that enables us to use a dynamic process by shifting between the literature theory and observations in order to make sense of the empirical data and develop an understanding of the given research area (Dubois & Gadde, 2002).

3.2 Case selection

The case selection is based on several criteria to examine our research question. The primary criterion was that the selected company had to give us access to relevant information and people to conduct interviews. Regarding relevant people, employees on different hierarchical levels in an organization were considered, from senior managers to subordinates, to obtain as many insights and perspectives as possible. The second criterion refers to the extent of ESG focus used by the company. The study aims to explore how ESG is implemented, making this part essential.

Moreover, to enable us to study the relationship between ESG and the implementation process, the third criterion refers to the level of control systems used by the company. The chosen case selection is a relatively new company whose core values build on the foundation of sustainability and use control systems to leverage its growth. Thus, this company fulfilled all criteria and will be a good choice. Due to the company's anonymity, it will be referred to as "SustainOne."

3.3 Data collection

3.3.1 Interviewee Selection

Table 1 provides an overview of the participants in the study; in total, eight interviews were conducted. The rationale behind the selection of participants was guided by the aim of receiving as comprehensive answers as possible. To answer 'How SustainOne uses MCS to implement a sustainable strategy,' the interviewers were selected based on the different hierarchical levels and in different parts of the organizations to collect a broad base for the empirical analysis.

To create an in-depth understanding of SustainOne, interviewees were combined within the management, leadership, and production teams. To enable an understanding of the connection between ESG, Management Control Systems, and the chosen business strategy, we found that some business units would play a critical part in the interview case selection. Hence, we aimed to cover both the decision-makers and lower managers responsible for the implementation. We found it essential to have some respondents representing the leadership team to enable an understanding of where the strategy is set. Additionally, we aimed to collect respondents representing the accounting, sustainability, and people teams, as they are strongly connected to our chosen topic.

Furthermore, five of the participants work at their headquarters office, while three of the interviewees operate at their production facilities. This gave us an overall understanding of how the company's facilities collaborate. However, some limitations were identified due to a lack of time and access to the company, meaning that more interviewers could have contributed to an even more comprehensive picture of the organization.

Title	Meeting Format	Date	Respondent
Chief People and Culture Officer	In person	26-Oct	1
Head of Production	Online	28-Oct	2
Head of Investor Relations	In person	28-Oct	3
Chief Sustainability & Strategy Officer; Deputy CEO	Online	02-Nov	4
Head of Supply Chain	Online	04-Nov	5
People Partner	Online	04-Nov	6
Business Controller	Online	14-Nov	7
Head of New Projects	Online	16-Nov	8

Table 1: Illustrating an overview of the interviewees

3.3.2 Initial Contact

The initial contact with SustainOne was through an email to a senior manager, including a short description and background of our thesis and ourselves, followed by a request to participate in the study. Once the senior manager agreed to participate, we were provided with other relevant people within the organizations whom we could contact. The interviews were scheduled as interviewees accepted to contribute to our empirical study.

3.3.3 Interview Design

The interviews were conducted using a semi-structured approach. Before the interviews, a pilot study was conducted to understand the company and its overall structure thoroughly. This was helpful when formulating an interview guide (see appendix 1.). The interview template followed the chosen theoretical framework, divided into four parts; belief, boundary, diagnostic and interactive. Although this structure nor the questions were not provided beforehand to the interviewees, it enhanced our analysis. Due to the semi-structured technique, the interview template consisted of a few predetermined questions openly designed to allow for co-creation between the interviewees and interviewer. This approach allowed for follow-up questions and avoidance of subjective answers (Leavy, 2020).

Eight interviews were conducted, which lasted between 45-60 minutes; two were in person, and six were held online. Two interviewers were present during all interviews, allowing one of us to lead, whereas the other could contribute with appropriate follow-up questions. All respondents permitted the interviews to be recorded and transcribed. This allowed the interviewers to be more engaged during the interviews, rather than needing to take notes simultaneously. In addition, when conducting a case study, it is beneficial to use various data sources (Ryan et al., 2002). Therefore, to gain a deeper understanding of SustainOne, the empirical findings from the interviews were complemented with secondary data collected. This included gathering information from the company's webpage but also internal documents, e.g., the code of conduct that the company provided to us.

3.4 Ethical consideration

The entire study collection was voluntary, both from the company perspective and on the individual level, meaning they had a choice to participate. This benefits the study as the volunteers are most likely to be engaged and willing to contribute to the study's purpose (Leavy, 2020). Furthermore, the company and the individuals are anonymously participating in the study, and the collected data is confidential; hence the information was only shared with the authors. Lastly, to ensure that all parties were aligned on the ethical guidelines, each participant consented by signing a GDPR form.

3.5 Data Analysis

After each interview, the collected data was transcribed and thoroughly analyzed. All interviews were recorded and transcribed to ensure we captured all information correctly. A reflection was made parallel to the interviews, and interesting discoveries were noted for further analysis. Using an abductive method enabled us to evolve the empirical data by continuously using the theoretical framework. After half the interviews, we identified four themes that helped categorize all the collected empirics (Taylor et al., 2016). These identified themes were: (1) *Sustainability in the DNA illustrating a strong belief system*, (2) *Shaping the Future Agenda with boundary systems* and (3) *"What gets measured, gets done" through diagnostic control systems*, and (4) *ESG as control through Simon's four levers*. These themes were identified based on our theoretical framework, and similar quotations were selected and then categorized using a colored coding method. In order to find similarities and contradictions between the different interviews, we constructed a table with the identified activities, illustrated in Table 2 (presented in section 5.), sorted into the four different levers of control. This provided us with a clear overview of the activities SustainOne uses in order to manage control.

4. Empirical Findings

The section below starts with an introduction of the case company, referred to as "SustainOne", followed by a presentation of the empirical findings from the interviews. This section is structured according to our four themes, presented in the data analysis

4.1 Introduction to SustainOne

SustainOne is an electrical vehicle manufacturer with a vision to disrupt its traditional industry with its sustainable product. Due to their high awareness of environmental concerns, they have been externally recognized. Founded in the 21st century, they have pioneered within its industry (SustainOne, 2020), been ranked as an industry leader (SustainOne, 201), and been awarded Dark Green Rating (SustainOne, 2022) due to its clear focus on sustainability throughout its business. Thanks to their innovative technology and design, they have also received prizes (SustainOne, 2022). Furthermore, SustainOne characterizes it as a scale-up due to its quick growth and broad expansion, and driver in a new market. Their organization is divided into two facilities, one factory and their headquarters. In addition, they have a team in the US and salespeople throughout Europe.

4.2 Sustainability in the DNA Illustrating a Strong Belief System

With a clear vision of developing a net zero-emission product, SustainOne aims to become one with nature. Several respondents referred to; ESG as the DNA of SustainOne. *Sustainability* is defined as one of the company's core pillars, together with technology and design. All interviewees agreed that the sustainability aspect is integrated throughout the entire organization. ESG is the core of their business throughout the whole value chain, from production to recycling the final product. This can be seen in both the manufacturing of their products and how they view their employees.

"Sustainability is the foundation of almost everything that we do, both in terms of how we develop the products, how we produce the product, how we ship the product, and making sure

that the employees can have a sustainable life by working at SustainOne"

(Chief People and Culture Officer)

"I would say that we have sustainability in all parts of our operations, we are using it within our suppliers and how we buy things, we are using it in how we produce our products. Also, in how we actually work with our people, how we are, even down to events, for instance, we always have vegan food and stuff like that. So we are talking about the sustainability part in a very top-down way." *(Head of Investor Relation)*

From an early stage in the interview process, it became clear how their strong core values, vision, and purpose could be connected to the chosen framework of Simons' levers of control, communicated throughout the entire organization by the lever of belief systems. The above quotes align with SustainOne's core values; inspire, challenge, and be sustainable. Building on these values, they emphasized the importance of developing a solid culture to influence their employees to believe in these and keep them motivated. That is, by creating a 'cultural manifesto' to communicate the firm's values, it includes various areas such as how to behave towards each other, how to employ SustainOne leadership principles, and not overworking. The belief system is a powerful tool to give employees a purpose and create norms from which the culture can evolve. This can be seen in the way employees are also provided with branded clothes, strengthening the culture of SustainOne and enhancing the feeling of belongingness:

"We have always had branded clothes and that's great. I underestimated how powerful a tool that is to ever have everyone wearing the same clothes. The site manager has the same clothes as an operator, basically. [...] A belongingness thing that you belong to each other and we're one team and that we look the same. I guess it's a coolness factor. Also, being kind of casual compared to others." *(People Partner)*

They further elaborated on how the cultural manifesto was implemented into practice, and the respondents mentioned how it was co-created by including everybody in the organization. This approach symbolizes an interactive use to get everyone on board, making it something to be proud of and an incentive to continue working with it.

The manifesto was published on posters, available for everyone in the facilities, functioning as a reminder for the employees. Even though most people had a prior interest in sustainability, the interviewees frequently described how the company culture had impacted their personal life, indicating SustainOne's powerful belief systems and how it has strengthened their initial sustainability awareness. This was exemplified in recycling at home, how they choose to transport and prioritize an electric car instead.

Also, when trying to deepen the understanding of the rationale behind this strong ESG focus, many of the respondents refer to it as the key driver of SustainOne's current position, arguing that it is a critical aspect of their continued success. While one respondent refers to it as the company's differentiator on the market, another explained that it is their competitive advantage. A third stated that their sustainability angle was the main reason for successful fundraising, enabling their rapid growth. Regarding the external motivations for their ESG focus, the participants argue that this focus will benefit them in several aspects, in terms of value proposition, branding, and attracting investments. They state that if their products' production were not sustainable, people would stop buying it, and investors would not be interested. SustainOne highlights various critical factors for their strong culture, indicating that the use of belief systems could be seen as crucial.

"We are not going to get the investments we need if we do not have the ESG targets, we are not going to have the customers and partnerships that we want and we're not going to have the right people." *(Head of Investor Relations)*

However, when asking them if there are situations where this ESG focus could create complications, the participants mentioned that they need to adapt their communication and their emphasis on sustainability, both externally and internally. For instance, from an external standpoint, e.g., in the US, they cannot emphasize sustainability to the same extent as in the Nordics. Instead, they need to highlight the technological features due to differences in customer base and preferences. In contrast, in the Nordics, one of the most vital selling points is the product's sustainability aspect. From an internal perspective, complications can arise when employees emerge from different cultures as norms differ. This implies that management needs to adapt its communication and educate its employees from different standpoints to enable as efficient communication as possible.

Another perspective that could appear to illustrate SustainOne ESG focus is the organizational structure. The Chief of Sustainability is also the Chief of Strategy and Deputy CEO, responsible for their three core pillars, which emphasizes their prioritizations of ESG. Even though SustainOne states that these titles are not a strategic choice, it could be observed to signal to the organization how important ESG is, thus strengthening their belief systems even further.

To summarize, it is observed that SustainOne conducts several actions toward creating a solid culture. By using belief systems that guide the employees towards sustainable behaviors, aligning with the company's vision, and prioritizing sustainability on a high organizational level, the company appears to be strongly value-driven by sustainability. They also manage to include strategic development by consequently using a bottom-up and top-down approach, which enables them to create an engaging, interactive system throughout the entire organization.

4.3 Shaping the Future Agenda with Boundary Systems

When investigating how SustainOne operates to concretize its sustainability strategy, all participants once emphasized that ESG is an essential part of their core strategy, indicating that their business and sustainability strategies are intertwined. According to their sustainability documents, the strategy has considered several sustainability aspects with consideration to stakeholders as well as the company's success. Continuously, they are part of shaping Agenda 2030 for Sustainable Development, which they do by building a strategy that contributes to four chosen SDGs from which SustainOne can make the most significant impact. According to our theoretical framework, a way to concretize the strategy is through the use of boundary systems. SustainOne does this by using policies:

"We have a sustainability policy and then of course also sort of work policies. Day-to-day, our sustainability strategy is more important. You kind of need to have policies for regulatory reasons and I think they serve a purpose as well, not least the process of developing them, because then you get into a discussion and you have to consider things and what direction you

wanna set. We set KPIs against the strategy to measure our progress"

(Chief Sustainability and Strategy Officer; Deputy CEO)

This illustrates how SustainOne uses boundary systems to set the policies and then, through interactive systems, manages to communicate through discussions, i.e., the interplay between the levers creates dynamic tensions. Developing these policies opens up dialogues in the organization, emphasizing the interactive use in the development phase of their company-specific boundaries. The strategy consists of three areas: supply chain, people & culture, and their product. Due to the broad definitions of these areas, they have been broken down into smaller and more concrete goals. Then, by connecting these targets to metrics, which introduces SustainOne's use of diagnostic control systems, they are perceived as more understandable for the employees, making it easier for them to see how they can contribute:

"I think we are super lucky to have a brilliant sustainability chief, who is very keen to connect the different goals to different areas of our business and connect our goals to the SDGs, which is super cool and helpful. Because it makes it less difficult to grasp. Like okay, this one I can actually work with and contribute to" *(Chief People and Culture Officer)*

As part of the sustainability strategy, the company has constructed a climate-related financial disclosure report that discloses the company's governance, risk management, metrics, and the target connected to climate risks, thus creating an interplay between the boundary and diagnostic use. This report is part of the risk management assessment and sheds light on potential risks and opportunities they might encounter. Since this is part of their annual management cycle, it is subject to the board, illustrating how the interactive control systems operate between hierarchical levels.

However, the interviewees identified challenges relating to developing a new strategy, where some levers appeared to fail due to lacking communication, and challenges in the interactive system appeared to arise.

"If you set a strategy you need to be able to change that strategy, you need to have a review process which may imply that you need to do some changes in the strategy. But then you need to

be sure that everybody's aligned on the new strategy and keep working towards the same direction, which sometimes can be a bit challenging.” *(Head of New Projects)*

In addition to this challenge, SustainOne also faces difficulties as they are shaping a new market in a relatively unregulated landscape. Many uncertainties are associated with this growing market, making it difficult to predict upcoming regulations and unpredictable future market conditions. According to Simons's framework, uncertainties could threaten a business strategy and its vision. However, interactive systems can navigate these uncertainties by communicating throughout all levers in an organization and enabling new strategies to emerge.

Summarizing, SustainOne's boundary systems consist of several business and sustainability practices, guiding to comply with the Agenda 2030 and contribute to their risk management assessment. While the policies guide the daily operations, they also create essential discussions, guiding a direction and creating an interplay between the boundary- and interactive system. However, operating in a fast-growing and unregulated market sets the levers on trial, which may entail potential challenges.

4.4 “What gets measured, gets done” by Diagnostic Control Systems

Interviewees were asked to elaborate further on the abovementioned metrics, which gave a deeper understanding of the diagnostic use. They presented several metrics, divided into financial and non-financial ones. The metrics are formulated into KPIs, developed in accordance with the strategy, and aim to enable the review of each strategic area, ensuring that the company aligns with its vision and correct deviations. Although the review cycle differs depending on the metric, the continuous evaluation enables transparency towards the board and the employees. This indicates a diagnostic use, where feedback systems are used to follow up on identified deviations to ensure goal achievements.

When elaborating on the non-financial metrics, there was a strong consensus that the social metrics are equally important as the environmental ones. The interviewees mention that the environmental metrics are measured by an outsourced platform that uses a spend-based method. This concerns carbon emission metrics, measured on activities owned by the company and on the product's value chain, referring to Scope 1, 2, and 3. In addition, the social metrics are measured through their people management tool that stores the data related to the employees. These social metrics refer to, e.g., gender diversity, intending to be within the range of 40/60. Another metric is employee engagement, calculated from surveys that are sent out recurrently. Nevertheless, the respondents stressed that there is a need to combine both financial and non-financial KPIs to be profitable.

"We are not going to reach our targets of the EBIT or the EBITDA if we're not reaching the ESG targets. We wouldn't reach our business plan if we don't reach our sustainability targets. They go both ways. We can't reach the sustainability targets if we don't reach the business plan and targets." *(Head of Investor Relations)*

Furthermore, SustainOne mentions its risk management strategy when elaborating on the metrics mentioned above. In this, the relation between the financial- and the environmental metrics were illustrated. For instance, targets referring to a decrease in emissions can be achieved by enhanced energy efficiency in their factories and impacting their suppliers to adapt to SustainOne sustainability values. These efforts will not only reduce the negative impact on the environment but will also have a positive financial impact as it decreases energy costs. However, when asking employees to elaborate on the relationship between the financial and social metrics, explaining and concretizing a clear relation appeared to be challenging. Even though it appeared to be difficult to concretize this relation, there was a high consensus among SustainOne that it exists. An interpretation of SustainOne's conviction of this relation could be seen in the belief system, functioning to bridge through the unknown.

However, an ambition of connecting social metrics to financial output could be observed by including them in the new salary criteria, as they are currently in the development phase of including both the financial and non-financial metrics into the salary criteria. In doing this, they will be able to reward employees' efforts not only for their financial performance but also for their performance on social metrics. Even though it is still in development, including performance social targets in the salary criteria is a way to create incentives and motivate employees by rewarding their non-financial engagements in monetary terms. Furthermore, to enhance the importance of social metrics, they aim to achieve an equally weighted evaluation process between ESG and financial performance.

"To actually nudge behaviors in terms of how we review performance, making a salary criteria, measuring KPIs, and showing peoples performance on these things. Because doing that drives behavior, like what gets measured gets done, basically. However, this is still under development".

(Chief People and Culture Officer)

This new salary criterion would enable continuous feedback processes, which according to the diagnostic system, is an essential aspect of using metrics. However, as this salary criterion has not yet been tested, the practical aspect and result of the equally weighted financial and nonfinancial achievements could be questionable. What would the potential financial consequences be if the salary criteria were the best way to create incentives for social engagement. Another aspect of the topic was explained by the business controller, highlighting that contradictions sometimes appear when needing to include the sustainability perspective in the decision-making process according to the business controller.

"I strive to drive down the costs, which then implies to seek for the cheapest supplier and look at how to increase the efficiency. But including the perspective of sustainability as well, implies that the best suppliers actually are 10% more expensive. It's a barrier that you just need to accept and go along with some sort of mental journey" *(Business Controller)*

It indicates that the decisive variable is the sustainable rather than the most cost-efficient one. This can also be seen in how they fuel their cars by choosing a more expensive fuel alternative, yet better for the environment. On the one hand, it could be seen as a poor decision from a financial perspective. However, from a non-financial perspective, it can be seen as a more sustainable conscious decision, which appears to be the crucial variable for SustainOne.

The diagnostic control system was clearly stated as essential by their emphasis on using metrics. It enables them to review their progress toward their strategic goals and correct the strategy as deviations are observed, which is in accordance with diagnostic use. Various techniques, such as through a people management tool and an external platform, ensure that the non-financial targets are reached. Even though their ambitions are highly noticeable, several question marks arise due to the difficulty of relating non-financial engagements to financial output.

4.5 ESG as Control Through Simon's Four Levers

The previous themes show that challenges may arise when building a fast-growing electrical vehicle company because of the comprehensive development and manufacturing phase of products and the uncertainties associated with operating in a relatively unregulated market. When asking SustainOne how they manage these challenges, they presented several ways to influence their employees and external parties.

The interviewees emphasized how SustainOne, already in their onboarding process of new employees, provides education and sets standards to ensure people are included, communicating expectations and introducing the beliefs of SustainOne. In parallel to the introduction phase, they highlight the importance of creating engagement among all the employees and how the managers are responsible for ensuring that everyone in their respective teams is aware of and equipped to comply with the boundaries. One way to create this engagement can be observed in the development phase of various practices, for instance, sustainability policies and the culture manifesto, enhancing engagement by opening up for discussions. Adopting this interactive use can be seen as a way to visualize the direction for the strategy and get the entire organization to work towards the same goal.

"We try to encourage our employees to bring up potential shortcomings and submit suggestions on how we could improve the operations within their daily work which then is brought up in the meetings." *(Head of Productions)*

Similar arguments were repeated during the interviews, stressing the need for collaboration between hierarchical and vertical levels. Through the lens of Simon's framework, this interactive use enables everyone to contribute and stimulate new learning. Then they include diagnostic patterns by having follow-ups to identify potential disruptions or deviations, which was practiced daily in the factory.

Another initiative to ensure that SustainOne avoids working against the strategy and aligns people towards the same goal is using internal policies. For instance, they constrain the employees to always choose the most environmentally friendly option when traveling in business. Additionally, they have implemented other internal practices, emphasizing the importance of recycling and reusing resources. With these various internal initiatives, it is observed that SustainOne influences employees in various situations through boundary systems to constrain opportunity-searching behavior. Additionally, they are continuously trying to nudge behaviors:

“We always talk about how important sustainability is to our company, we are trying to nudge our employees, ‘ah you are buying a new car, it is an electric car right’, we are keen on making an impact”. *(Chief People and Culture Officer)*

This illustrates how SustainOne is using the sustainability factor to nudge employees, which could be seen as possible due to the extensive use of belief systems, spreading their core values, and creating engagement and motivation.

As one of the main goals is to build a net zero product, SustainOne needs to take internal responsibility and ensure that it aligns through the entire value chain. This makes them dependent on external parties, which to some extent, are out of their control. However, by introducing a business code of conduct, suppliers and other external parties need to comply with the expectations of SustainOne. Thus, the company can also nudge external parties' operations, steering them in certain directions to make them comply with SustainOne ESG values.

“I think a crucial part is the business code of conduct that we have. We are currently implementing that with all of our suppliers initially and then in the long term it will also be for all business partners and that's kind of an ongoing work. *(Head of Supply Chain)*

To conclude, the presence of challenges at SustainOne is undeniable. However, it is observed from the empirics that the use of the four levers of control mitigates these challenges and influences both internal and external parties. They are communicating their core values through the use of beliefs and avoiding risks with the help of boundaries. The diagnostic use enables them to manage critical KPIs, and interactive systems can be supportive through uncertainties.

5. Discussion

This section will conduct an analysis based on the empirical findings and the theoretical framework in order to answer our research question; "How does SustainOne use MCS to implement a sustainable strategy?". Table 2 below illustrates SustainOne's control practices, divided into Simon's four levers of control. The discussion will be structured into three main findings that we have observed.

5.1 Intensive Controlling Through the Use of All Four Levers

Controll practices	Belief	Interactive	Boundry	Diagnostic
Branded Clothes	x			
Chief Sustainability & Strategy Officer; Deputy CEO	x			
Core values, purpose, vision	x			
Culture Manifesto	x			
Diversed Leadership Team	x			
Nudging peoples behavior	x			
Sustainability one of three core pillars	x			
Business code of conduct			x	
Serving vegetarian food			x	
Sustainability Policy			x	
Travel policy			x	
Waste management systems			x	
Co-Creation sessions		x		
Feedback		x		
Inviting employees to discussions		x		
Reviewing feedback processes		x		
Development of salary criteria*				x
Disclosure report				x
Financial and Non-Financial metrics/ KPIS				x
SDG's metrics				x

**under development phase*

Table 2: Illustrating SustainOnes's controll practices divided into Simon's LOC

The empirical data shows that SustainOne combines the four levers of control: belief, boundary, diagnostic and interactive, to implement a sustainable strategy by controlling the organization. When analyzing the dynamics of the levers, we found that they exercise a lot of control to direct the company in specific directions. This finding regarding the power of control also confirms the research by, e.g., Mundy (2010), where it was highlighted that the control of business strategy is achieved by integrating the forces. This can be seen in how SustainOne uses the four levers to manage the dynamic tensions.

Our findings contribute to earlier research (Norris & O'Dwyer, 2004), which concludes that the combination of informal (belief & interactive) and formal control (boundary & diagnostic) is essential when implementing a strategy. Where formal control ensures that strategies are correctly implemented (Merchant, 1998; Simons, 1995), informal control emphasizes employees' ability to influence the organization. However, we add to these studies by being more precise, using all four levers of control (Simons, 1995) which enables us further to extend the use of informal and formal control.

Several activities are thus carried out: through formal control developed into the levers of boundary and diagnostic and informal control divided into the levers of belief and interactive. Belief systems are used to communicate SustainOne's vision and purpose, establishing the cultural manifesto and nudging individuals' behaviors, which builds the foundation for the entire organization. This supports the findings by Marginson (2002), confirming the importance of communicating core values, followed by the findings of Crutzen, Zvezdov et al. (2017), stating that sustainability awareness can be strengthened by using informal controls. Then, from these cultural norms, SustainOne's boundaries have evolved. The use of boundaries in SustainOne's strategy can be seen in the development of different policies and their code of conduct to concretize the strategy and control the organization towards shaping Agenda 2030 for sustainable development. While the policies and code of conduct refer to comprehensive risk management tools, the company also applies boundaries on an individual level, e.g., by only serving vegetarian food at company events. That is, it illustrates how much control the company applies on all levels within the company. In doing this, the levers of boundaries can be seen as a way to continue enhancing the culture of SustainOne and lead the organization in the *right* direction.

In addition to the belief and boundary systems, diagnostic use of the measuring process is conducted through financial and nonfinancial KPIs to ensure alignment with the strategy and goal congruence. This can be seen when they refer to *'what gets measured gets done'*, indicating how SustainOne emphasizes the use of metrics to ensure that the strategy is measured and reviewed. In combination with these metrics created through an *intended* top-down approach, SustainOne has also managed to use an *emergent* method, i.e., bottom-up approach, and engage the employees in the strategic objectives. This is in line with the research made by Arjaliès and Mundy (2013), stating that a strategy also can emerge from engaging lower levels of employees, which SustainOne used by adopting an interactive use to create engagement among the employees, opening up for discussions and co-creation. This also follows the reasoning of, e.g., Beusch (2022), arguing that a strategy can be successfully implemented using a bottom-up approach.

The findings of this study support much earlier research (e.g., Ouchi, 1977; Simons, 1995; Langfield-Smith, 1997; Ferreira & Otley, 2009; Tucker et al., 2009; Gond et al., 2012) since the result shows that SustainOne has managed to use MCS when implementing a strategy, enabling them to reach their strategic goals. This is illustrated by the comprehensive practices of all four levers, creating dynamic tensions to enhance further growth, where previous research argues (e.g., Henri, 2006; Marginson, 2002; Mundy, 2010; Otley, 1999; Simons, 1995) that MCS can help an organization to become more sustainable if MCS is *adopted appropriately.*

However, to what extent SustainOne has adopted an *appropriate* use of MCS and balanced the four levers depends on the level of management's devotion, confirmed by, e.g., Henri (2006) and Simons (2000). On the one hand, SustainOne conducts an extensive number of various controlled activities. This might indicate that SustainOne has yet to find an optimal balance between the four levers of control. Hence, management's high devotion might imply that their focus on these various activities is not entirely appropriate, i.e., prioritizing quantity prior to quality. On the other hand, it could be argued that SustainOne has adopted an *appropriate* use of MCS due to its high prioritization of sustainability. This is reflected in how sustainability is discussed among the board of directors, followed by the fact that the Chief Sustainability & Strategy Officer is also titled deputy CEO.

5.2 Strong Dominance of the Belief Systems

From the empirics, it is observed that all levers are of importance as the combined use of the four levers enables SustainOne to implement sustainability into the strategy. However, the presence of the belief systems shows tendencies of being the most essential for SustainOne, indicating an unbalanced use of the levers.

The emphasis on belief practices is clearly illustrated in table 2, showing their activities towards enforcing this strong culture, which demonstrates the *dominance* of the belief lever. From the concepts of *controlling* and *enabling*, this dominance could be explained by a historical tendency, where SustainOne originated from the founder's strong vision of having *ESG in their DNA*. This finding is supported by Mundys' (2010) concepts of dominance and suppression. However, no tendencies of suppression of any lever can be identified. To further explore the dominance of the belief system, (Crutzen, Zvezdov et al. 2017) highlights how the emphasis on this lever could strengthen a company's informal control systems. The research further states that a consequence of the dominance of informal systems could be a lack of structure, implying challenges in decision-making, i.e., where the diagnostic and boundary systems fail. This could increase the dependence on informal control systems.

However, as stated in part 5.1, we can add to Crutzen's (2017) study by showing the implications of dividing the informal and formal systems into the four levers. This became evident when SustainOne's strategy evolved in new directions, which is stated by Langfield-Smith (1997) to be an ongoing development process and due to a lack of communication, i.e., interactive use, employees started to work in different directions. By observing this situation, we find that even when the interactive system, which is part of informal control, fails, the strong belief systems enable SustainOne to mitigate the challenges from miscommunication as the employees align their understanding of the vision's goals. In doing this, SustainOne seemed to support employees through the strong belief system, navigating them toward the new strategy. Furthermore, this is supported by Bruining et al. (2004) and Roberts (1990), arguing the need for beliefs to guide employees through strategy development phases.

Another advantage of this strong belief system is its ability to bridge sustainability engagement to results with an unclear financial. The empirical data reveals difficulties in connecting non-financial ESG metrics to financial outputs, following the study made by, e.g., Porter & Kramer (2011), highlighting the challenges of this connection. One example of this difficulty could be observed in their social metrics. Even though there is a strong conviction of achieving gender diversity, with goals of being within the range of 40/60, SustainOne could not present how the metric contributed to the financial performance on a concrete level. This is confirmed by the findings from Beusch (2022), stating that social issues could be complex to translate into KPIs and thus relate to financial outcomes. Although the gap between the social metrics and a concrete financial outcome is unclear, the respondents still aim to reach this social metric, symbolizing how their beliefs function to bridge engagements for social metrics.

On the other hand, SustainOne has managed to connect environmental non-financial KPIs with financial outcomes. Through the climate risk analysis, environmental activities connected to the firm, referred to as risks or opportunities, were presented with how their activities would impact costs and savings. This approach is similar to the attempt to develop the Sustainable Cost Calculation (SCC) described by Bebbington (2001), where an understanding of the interplay of business actions and their outcome on the environment were presented. In contrast to this method, SustainOne also presented their usage of an external platform, calculating the cost-spendings to find the environmental outcome. This could be interpreted as the company taking responsibility to minimize the impact on the earth.

The above use of metrics illustrates SustainOne's interplay between belief and diagnostic use. The belief system impacts the usage of the diagnostic by prioritizing the calculation of environmental outcomes, enabling an understanding of their progress towards achieving their vision of producing a net zero product. This, once again, exemplifies how the belief systems function as the bridging for the other levers, which also follows Widener (2007), who stated that the elements of the belief systems underpin the other levers.

However, one could start to question if this dominance of belief systems borders on manipulation. As they emphasize the vision and purpose in powerful words, creating an environment where everyone aligns and providing employees with branded clothes, it almost appears they need to convince the employees to believe in this culture. Nevertheless, being in a scale-up phase requires a strong vision, highlighting the critical role of using belief systems. Since SustainOne operates in an unregulated market, they are subject to many uncertainties. Building upon the above findings, the dominance of the belief system appears to enable the company to manage such uncertainties. This supports Speklé's (2001) research since the results suggest a clear vision when firms operate in uncertain conditions, followed by Davila (2009) suggesting the need for adopting a dynamic yet innovative approach to manage these uncertainties.

5.3 ESG - The Crucial Variable in Controlling

Moving on to the final part, ESG can be seen as the central part of SustainOne's existence. Whereas previous research has studied how ESG can be implemented into an organization's already existing strategy, e.g., Arjaliès, Mundy (2013) and Beusch, Frisk et al. (2022), we add further nuance to these studies by showing the strengths of ESG and how it can be a crucial control element in decisions, being used to create engineered intrinsic motivation, and thus the explained reason for SustainOne's interrelated sustainability and business strategy.

Based on the empirics, it is observed that ESG is the central and leading variable in the decision-making process. As stated by the business controller, the basis for traditional decision-making has mainly been focused on achieving cost-efficiency, whereas SustainOne bases every decision on an ESG perspective. Decision-making can be seen as a critical process in business success and suggested by, e.g., Simons (1995), Bartolomeo et al. (2000), and Schaltegger and Burritt (2010) to be an essential factor when implementing a strategy. Our finding shows that when they have to choose between a more cost/profit-conscious alternative or the more expensive, hence more sustainable option, the natural and obvious choice will be the latter. This is followed by another aspect, referring to their business code of conduct, that to some extent works as a deal breaker if the supplier would not comply with SustainOne sustainable and ethical guidelines in order for them to proceed with the partnership. This again implies that ESG has a central role in exercising control, where all decisions are taken to promote SustainOne's strategic objectives.

Although the decision-making process is essential, the power of ESG in controlling the organization can also be seen in its ability to enhance individuals' motivation further. They have managed to attract talent who share these beliefs and thus created an engineered intrinsic motivation. Our empirical data showed people's main reason for applying to the company was their prior interest in sustainability. Their engagement of wanting to be part of shaping a more sustainable future and taking responsibility for their actions is in line with the sustainable development described by Gray (1992), referring to an 'account of sustainability. This is followed by Marrewijk's (2003) reasoning, highlighting that firms can adopt responsible actions and operate within planetary boundaries. Having a strong shared vision of ESG is beneficial in creating a strong culture, enhancing managers' ability to control and nudge employees' behavior, motivating them to act in certain ways, and making more sustainable decisions. Combined, this enables SustainOne to build an even more comprehensive culture and contribute to the formation of its entire foundation. When observing SustainOne, it appears that a strategy can emerge from ESG, as sustainability is a crucial driver in every decision, thus implying that ESG and business strategy are interconnected. This contradicts the findings of Gond, Grubnic, et al. (2012), suggesting that SCS and MCS create two different strategies.

Another way that SustainOne will use the strengths of ESG as control could be observed in the development phase of the salary criteria. Even though it is not fully developed, the equal weight between ESG and financial performance indicates their emphasis on how ESG will be used to control employees.

However, to what extent it would be possible to use ESG as control in another company is questionable. SustainOne facilitates this process by recruiting people with strong sustainability awareness, avoiding the risk of building a company based on people with contradictory values. Another perspective is that being in a scale-up phase requires capital to leverage its future growth. However, according to the empirics, sustainability is said to be one of the critical factors in the fundraising process, enabling them to proceed with their strategy. This implies that it appears to be an efficient streamline for SustainOne, but this might not be the case for companies with other characteristics.

To conclude, SustainOne was established based on ESG, which is seen as the central and critical factor in SustainOne, guiding the company to its vision. By implementing ESG into SustainOne's business strategy, they manage to capitalize on their ESG product and their entire business strategy and gain a competitive advantage through their ability to differentiate themselves, which is also supported by much earlier research (e.g., Bansal and Roth, 2000; Porter & Kramer, 2006)

6. Conclusion

This final section summarizes and discusses the findings of this thesis, followed by a comment on the limitations and provides suggestions for future research.

6.1 Contributions

In response to earlier research, this study contributes to a more in-depth understanding of the role of MCS in implementing a sustainable strategy based on Simons' framework and previous research within the area of MCS (e.g., Arjaliès, Mundy 2013; Crutzen, Zvezdov et al. 2017, Beusch, Frisk, et al. 2022). Firstly, SustainOne is strongly committed to implementing sustainability into its core strategy, which is reflected in the extensive use of all four levers. The study contributes insights into how a company can use MCS when implementing ESG practices to reach its strategic goals by using concrete practices within each control system, supported by, e.g., Henri (2006) and Marginson (2002). By further contributing to the concepts of informal and formal control developed by Crutzen & Zvezdov et al. (2017), the discussion adds to these previous studies by being more precise, showing how each of the four levers of control (Simons, 1995) is used to create dynamic tensions and enhance the implementation of sustainable practices. Although to what extent these dynamic tensions are optimized depends on the *appropriate use,* where management plays a vital part.

Secondly, we found that one of the levers had gained more attention than the others. That is, through a dominance of the belief systems, SustainOne manages to guide employees in developing a new strategy, navigating through uncertainties, and creating sustainable engagement for metrics lacking concrete financial performance. This strong dominance of belief systems could, to some extent, be questioned if it nearly becomes manipulation. However, the dominance of the belief systems enables SustainOne to communicate its vision, overcome obstacles, reach strategic objectives, and in accordance with Widener (2007), appear to underpin the other levers.

Thirdly, the study contributes to giving insight to how the objectives of sustainability and business performance intertwine into one strategy. While previous research has explored how ESG can be implemented into a strategy (e.g., Arjaliès, Mundy; 2013 and Beusch, Frisk et al. 2022), our study contributes by showing how powerful ESG can be by its decisive role in an organization. Moreover, earlier studies have found that the sustainability strategy has been implemented, though decoupled from the business strategy (Gond et al., 2012, p. 206). In contrast, SustainOne includes sustainability in all its practices through the extensive use of *ESG as control* and contributes to the existing literature with new insights into creating a strategy where sustainability is the core.

6.2 Limitations

The study contains limitations that should be considered when relying on the result without proceeding with future research. Firstly, as our study is a single case study, we achieved to get deep insights into the company. However, in the presented findings, one should recognize that essential knowledge potentially has been missed out because of its small data sample size. In addition, the study was conducted during a limited timeframe which can imply a limitation when gathering the empirics. Lastly, as the interviews were conducted through a semi-structured approach, the risk of subjectivity is, to some extent, hard to avoid and expected to arise when doing a qualitative case study.

6.3 Suggestions on Future Research

The previous section's limitations call for suggestions for future research opportunities. We are unaware of previous studies similar to this chosen scale-up; therefore, future research should consider broadening the library of similar cases. This could be done through multiple case studies and qualitative studies to compare different patterns. Along the same line, due to the growing sustainability awareness, new companies and markets arise with the aim of capitalizing on sustainability. This calls for future research to study these industries to deepen the understanding of the MCS with implementing sustainability and how it differs from the "traditional markets." Lastly, we call for further research on how social issues concretely relate to profitability, which we believe needs to be conducted through a qualitative approach to find patterns and, later on, deepen the technique through qualitative studies.

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8. Appendix

8.1 Appendix 1: Extract from Interview Guides

Interview Guide

Belief systems

- How would you say that SustainOne defines sustainability?
- What does sustainability imply for SustainOne?
- Vad är mission, vision, statement?
- Is ESG important for you as a company? Why?
- What are the main drivers within the company to implement ESG?
- What's your perspective on sustainability and profit? Are there any contradictions? Or do they align?
- Complication related to questions asked above?

Boundary systems

- Do you have any policies?
- How much is driven by meeting the regulations?
- How do you work with the transition on turning these Policies into Practice?
- Complications related to questions asked above?

Diagnostic systems

- Do you have any metrics/KPIs connected to ESG?
- How do you measure those?
- How are they reported on?
- How often do you reevaluate the current strategy? And what does that process look like?
- Complication related to questions asked above?

Interactive systems

- Do your employees understand the purpose of ESG? How do you educate them about sustainability? (examples)
    - How do you create engagement among your employees?
- Is sustainability up on the agenda during weekly/monthly meetings?
- Complication related to questions asked above?