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A Balancing Act: Sustainability Without Borders

A qualitative research study of sustainability management control in multinational corporations

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Abstract: For many multinational companies, sustainability has shifted from compliance and risk management to a strategic priority and source of competitive advantage. Drawing on Simons' (1995) Levers of Control framework, we conduct a dual case study of two European multinational corporations. The data is based on semi-structured interviews—conducted with representatives from both case companies and an independent consultant—and document analysis. Our research is guided by the question: How do multinational companies design and implement sustainability control systems in their international operations to ensure alignment with their global strategy? Addressing a gap in existing research on how sustainability strategy is operationalized in international contexts, this study contributes to the sustainability management control literature by emphasizing suppliers' dual role as both external stakeholders and internal actors within the organizations control environment. Our findings show that a firm's position within the value chain significantly shapes how external actors—particularly customers and suppliers—influence sustainability control system design and application. We further extend current frameworks by adding a temporal dimension, demonstrating how control system configurations evolve over time in response to reputational risks and strategic reorientation. Ultimately, we argue that the integration of sustainability control systems is not merely a structural task but a culturally embedded and iterative process shaped by a firm's history, stakeholder landscape, and position within the global value chain.

Keywords: Sustainability control systems (SCS), Multinational corporations (MNCs), Levers of control (LOC), Corporate social responsibility (CSR)

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1. Introduction

Multinational corporations (MNCs) have long played a pivotal role in shaping the global economy, acting as ‘engines of growth’ by integrating economic activities across home, host, and third countries (Wilkins, 1998). Their influence extends beyond simple trade and finance, creating ongoing relationships that facilitate the transfer of capital, products, processes, skills, and management practices.

The concept of Corporate Social Responsibility (CSR) gained influence in the late 20th century. With increased globalization and the reputational risks of operating across borders becoming more apparent, the need for overarching global standards emerged. Today, the United Nations 17 Sustainable Development Goals (SDGs), the International Labour Organization (ILO), and the Global Reporting Initiative (GRI), are internationally recognized frameworks that promote responsible business conduct and often serve as reference points for multinational corporations in shaping their compliance systems (Macesar, 2024).

However, multinational firms have faced three major challenges in adopting CSR practices: legal and regulatory contradictions, cultural and institutional misalignment, and accountability gaps in global supply chains (Walker, 2006; Bussman & Niemeczek, 2017; Broadhurst, 2000; Haji et al., 2022; Asgary & Mitschow, 2002; Xu & Woo, 2022). Enforcement of ethical business practices and sustainability reporting varies across jurisdictions, creating inconsistencies in transparency and accountability. The coexistence of diverse regulatory approaches—such as mandatory, comply-or-explain, and hybrid models—alongside reliance on voluntary standards, pose challenges for global consistency and require firms to balance internal policies with regional compliance (Haji et al., 2022; Xu & Woo, 2022). Although global frameworks aim to serve as benchmarks for minimum standards, they lack legal enforceability. This results in inconsistencies as MNCs navigate international frameworks, national regulations, and industry guidelines. Additionally, developing nations may view strict ethical standards as a means of restricting their economic growth, particularly since such regulations were largely absent during the industrialization of today’s developed economies (Asgary & Mitschow, 2002).

Walker (2006) highlights how multinational corporations often struggle with cultural misalignment, poor translation of policies, and resistance from local institutions. These

challenges stem not only from differing legal frameworks but also from contrasting cultural expectations defining ethical business practices (Bussman & Niemeczek, 2017). The complexities of CSR enforcement are further evident in global supply chains (Broadhurst, 2000). The higher expectations placed on multinational companies compared to local regulatory standards increase the risk of scandals, as enforcing ethical labor practices becomes more challenging in regions with weaker oversight and accountability mechanisms. Firms may hesitate to even enter markets with lower regulatory standards due to the risk of non-compliance, reputational damage, or contractual restrictions imposed by global supply chains (Gugler and Shi, 2009).

For many multinational companies, CSR has evolved from a focus on legal compliance and risk management into a core component of corporate strategy, as its growing strategic value has positioned it as a potential source of competitive advantage (Porter and Kramer, 2011; Arjaliès & Mundy, 2013). In line with this development, new accounting standards have emerged. For example, the Corporate Sustainability Reporting Directive (CSRD), introduced in 2022, and the IFRS Sustainability Disclosure Standards (IFRS S1 and S2), released in 2023, significantly expanded the scope of sustainability reporting requirements (Carroll, 2023; Bildstein-Hagberg, 2024). The industry now increasingly adopts the term ESG (Environmental, Social and Governance) to signal a broader and more measurable framework for evaluating non-financial performance and risk (Macesar, 2024). The strategic integration of sustainability into corporate strategy has given rise to a new area within management accounting and control, namely, sustainability management control.

Effective implementation of CSR within companies requires well-established management control systems (MCS) (Arjaliès & Mundy, 2013; Crutzen et al., 2017). MCS encompasses the formal and informal mechanisms, tools, and processes that managers utilize to align employee behavior and decision-making with the organization's strategic objectives (Crutzen et al., 2017; Simons, 1995). Formal MCS may include budgets, performance measurement systems (PMS), internal audits, and incentive structures, whereas informal MCS include dimensions of organizational culture and leadership.

The term sustainability control systems (SCS) has recently emerged in the literature to describe the application of management control on sustainability performance and strategy. Johnstone (2019) explains that, unlike traditional management control systems, SCS are specifically

designed to manage sustainability performance by maintaining control over operational activities, ensuring that sustainability is effectively integrated across all aspects of business operations. Given the responsive and evolving nature of sustainability, SCS differ fundamentally from conventional MCS in that they must account for both internal organizational dynamics and external pressures stemming from societal and environmental expectations (Johnstone, 2019). Hence, sustainability management control warrants examination as a separate domain within management control research.

MNCs have historically contributed to economic development through mutual learning, combining imitation and innovation as both host and home countries exchange and adapt advanced business practices (Wilkins, 1998). Today, this exchange is increasingly centered around ethical standards and sustainability, and MNCs may, in this sense, contribute to promoting responsible business practices. This shift gives rise to our research question:

How do multinational companies design and implement sustainability control systems in their international operations to ensure alignment with their global strategy?

While the existing literature on sustainability management control explores themes such as the integration of sustainability into traditional control systems, its role in risk mitigation, and the influence of managerial motivations, a critical gap remains in understanding how multinational corporations operationalise sustainability controls across diverse international contexts. Cultural differences and varying stakeholder expectations introduce complex dynamics, making this a particularly compelling area of study. Our research addresses this gap through a dual case study design, offering an in-depth exploration of how two corporations differ in their approaches to sustainability management control. Through qualitative interviews and document analysis, we aim to contribute a broader understanding of SCS design and implementation. We demonstrate how these systems are shaped by each firm's cultural context, strategy, and position within the value chain.

2. Theory

This section begins by reviewing the literature on sustainability control systems, highlighting a key academic gap: the limited focus on cross-cultural tensions in multinational operations. To frame this gap, we draw on key themes from the accounting literature on management control in MNCs. We then present Simons' Levers of Control as our guiding theoretical framework and outline its extensions into the sustainability control systems domain and configuration theory.

2.1 Sustainability control systems (SCS)

Due to its social nature, sustainability requires being addressed as an interactive system rather than one resembling a traditional hierarchical management system that imposes authority over employees (Johnstone, 2019). Sustainability control is a simultaneously top-down and bottom-up process, and is subject to redesign as individual employees interact with them (Arjaliès & Mundy, 2013). Hence, it is not an extension of MCS, it is fundamentally different. Nonetheless, they share several structural similarities, which has led many firms to explore ways of integrating them—prompting a discussion in the literature on whether CSR should be embedded within financial controls or treated as a separate governance function (Arjaliès and Mundy, 2013; Crutzen et al., 2017; Kerr et al., 2015; Gond et al., 2012). Early contributions in the sustainability management control domain highlight the considerable benefits of integration. When sustainability remains independent from core financial controls, it risks losing strategic relevance in day-to-day operations (Ligonie, 2021). In such cases, sustainability control systems often lack influence over critical decision-making processes like budgeting, performance evaluation, and managerial incentives (Semenova, 2021; Beusch et al., 2022; Gond et al., 2012).

Arjaliès and Mundy's (2013) findings reveal that firms rely on formal control mechanisms to structure sustainability initiatives, yet the degree of integration varies widely. Some firms enforce CSR through performance measurement systems and others reduce it to a compliance-focused reporting function, often keeping it structurally disconnected from financial control and strategic planning—even when sustainability is claimed as a priority (Beusch et al., 2022). This raises a central question in the literature—why does this integration often fall short?

Schaltegger & Burritt (2018) provide a critical framework for understanding the ethical motivations behind corporate sustainability strategies. By distinguishing four types of business

cases, the authors highlight that corporate sustainability efforts are not driven by a uniform logic but rather shaped by varying underlying managerial values and strategic priorities within the company. This typology offers a lens to assess why and how firms engage with sustainability: whether to defend existing operations (reactionary), enhance image (reputational), pursue performance excellence (responsible), or co-create solutions with stakeholders (collaborative). These motivations influence the degree of internal integration, external engagement, and operational commitment in sustainability control systems. For instance, a responsible orientation may result in embedded KPIs and process innovations, while a collaborative approach often involves stakeholder partnerships and broader systemic change.

Schaltegger & Burritt's (2018) reputational business case clearly links to legitimacy-seeking behavior, a core theme in the literature. Rodrigue et al. (2013) illustrate how stakeholder pressure shapes internal environmental performance indicators, often prompting firms to reactively adopt or modify these measures in response to external expectations, primarily to maintain legitimacy and secure a "license to operate". In these cases, internal sustainability controls become tools for managing legitimacy rather than driving transformation, reinforcing the idea that reputational CSR efforts are largely symbolic, aimed at satisfying external actors rather than altering core business practices. Even among sustainability leaders, many adopt "reporting- and measurement-oriented" control tools primarily for external accountability (Crutzen et al., 2017). These controls emphasize data collection and structural compliance but lack deeper integration into strategic planning, reward systems, or internal performance management. Crutzen et al. (2017) argue that sustainability is often only incorporated into corporate strategies when it aligns with profitability, leading to inconsistencies in its application across firms. The type and degree of integration directly influence how sustainability strategy is formulated and executed, where high integration promotes strategic embedding, while symbolic integration often correlates with fragmentation or decoupling (Gond et al., 2012).

This discussion underscores the main barrier to integration: the tension between long-term sustainability objectives and short-term financial priorities. De Villiers et al. (2016) suggest that integrating new management systems (SCS) with existing ones (MCS), rather than developing them as separate structures, can help mitigate this challenge. By leveraging existing systems and infrastructure, firms can reduce the additional resource demands typically associated with

implementing new control mechanisms, which may alleviate the perceived tradeoff between sustainability and profitability.

Many firms struggle to use MCS proactively for sustainability, leveraging them to meet reporting requirements or external expectations rather than to drive substantive organizational change (Arjalies & Mundy, 2013). Semenova's (2021) quantitative study finds that companies exposed to higher levels of social and environmental risk in their business environment do not demonstrate a corresponding high level of integration of sustainability into their MCS. In fact, in their study, firms with more incidents or exposure to sustainability-related risks showed weaker alignment between risk levels and the use of performance measurement or CSR strategy. Semenova (2021), however, emphasizes that when firms do integrate stakeholder concerns into their control systems, they are more likely to align sustainability with broader strategic objectives—suggesting that it is not actual risk exposure, but rather the perceived risk exposure, that determines whether sustainability control becomes substantive or remains simply a reactive, symbolic response aimed at maintaining legitimacy.

Other research emphasizes internal communication in achieving effective integration of SCS with traditional MCS. Beusch et al. (2022) highlights two key channels: intensive dialogue across management levels and strong commitment from top leadership. Their case study shows that cross-level communication—particularly between strategic and tactical managers—helps bridge differing perspectives and ensures that sustainability is not marginalized. Furthermore, the CEO's role as an advocate for sustainability proves vital in setting the organizational tone, shaping belief systems, and legitimizing sustainability initiatives throughout the company. Together, these social and leadership dynamics are shown to be as crucial as technical system design in achieving meaningful SCS-MCS integration. Beusch et al. (2022) findings suggest that supported SCS can help multinational companies navigate the tension in managing external stakeholders.

Across this body of research, a common conclusion emerges: integrating sustainability into core strategy enhances performance and supports strategic alignment (Kerr et al., 2015; Arjalies & Mundy, 2013; Ligonie, 2021; Gond et al., 2012). Our study examines the complexities that emerge once sustainability is embedded within formal control systems—particularly in the context of multinational corporations.

To do so, we draw on insights from the management control literature, which has long acknowledged the cultural frictions that can arise when foreign subsidiaries are integrated into multinational organisations (Busco et al., 2008; Carlsson-Wall et al., 2019; Dossi & Patelli, 2008; Cooper & Ezzamel, 2013; Quattrone & Hopper, 2004). Specifically, Dossi & Patelli's (2008) research shows that subsidiaries may resist imposed control systems unless they are actively involved in their design, and Busco et al. (2008) argue that multinational corporations must navigate three persistent tensions—vertical vs. lateral relations, convergence vs. differentiation, and centralization vs. decentralization—through MCS that enable structured processes, shared metrics, and negotiated flexibility, rather than attempting to fully resolve these tensions. These tensions are often shaped by differing stakeholder expectations and institutional environments. This context becomes particularly relevant when examining sustainability control systems, as differences in legislation and cultural attitudes toward sustainability influence how these practices are understood and applied within local units. The literature on management control in multinationals clearly highlights this complexity which remains unexplored in the SCS literature.

Arjaliès and Mundy (2013) briefly raise the question of whether CSR should be standardized across multinational firms or adapted to local conditions. They find that many firms prohibit units from modifying CSR strategies to fit local contexts, enforcing a globally uniform approach. While this ensures consistency and protects against reputational risks, it also limits flexibility and may reduce SCS effectiveness in addressing local social and environmental concerns. Johnstone (2019) argues that developing effective SCS requires incorporating the knowledge of local actors, as these systems must be adaptable to specific regulatory and cultural contexts. Filatotchev and Ståhl (2015) propose a transnational approach—balancing global consistency with local adaptation—as the most effective, supported by strategic controls and stakeholder engagement.

Multiple studies explore SCS through examining multinational corporations (Arjaliès & Mundy 2013; Rodrigue et al., 2013; Filatotchev & Ståhl, 2015; Crutzen et al., 2017; Semenova, 2021; Beusch et al., 2022). However, as illustrated above, these only briefly touch on the cultural complexities we want to explore, indicating a clear gap in the literature on SCS.

MNCs must manage diverse stakeholder views, which complicates SCS use (Arjalies & Mundy, 2013). Hence, they often prioritise home-country norms, which can overlook local understandings of sustainability and weaken implementation in other countries. For example,

MNCs must account for varying levels of engagement in sustainability. In many developing countries, such engagement tends to be limited to basic compliance with international regulations, rather than reflecting a proactive commitment to sustainability, as short term financial concerns must be prioritized.

The SCS literature directs the discussion to MCS-SCS integration, and why, despite strong sustainability performance, many firms continue to operate these systems in a decoupled manner (Rodrigue et al., 2013; Crutzen et al., 2017). The literature points to the complexities in managing external stakeholder relationships and notes that sustainability efforts driven by symbolic or reputational motives are often reactive in nature. Similarly, studies suggest that the design of SCS is determined by the ‘CSR logic’ firms adopt—symbolic or strategic (Arjalies & Mundy, 2013). Kerr et al. (2015) adds to this by also suggesting that an organisation’s CSR maturity is a key influence in their control system design. Both studies show that while compliance-focused firms rely on systems like codes of conduct and performance monitoring to enforce standards, those aiming to embed sustainability in strategy increasingly adopt practices that foster dialogue, learning, and alignment with core values. These findings suggest that as sustainability becomes deeper embedded within a firm’s strategy, the control systems evolve from rule-based enforcement toward mechanisms that promote proactive engagement and innovation. Given the inherently social and interactive nature of sustainability, such engagement-driven mechanisms are viewed as critical for effective implementation (Johnstone, 2019; Beusch et al., 2022).

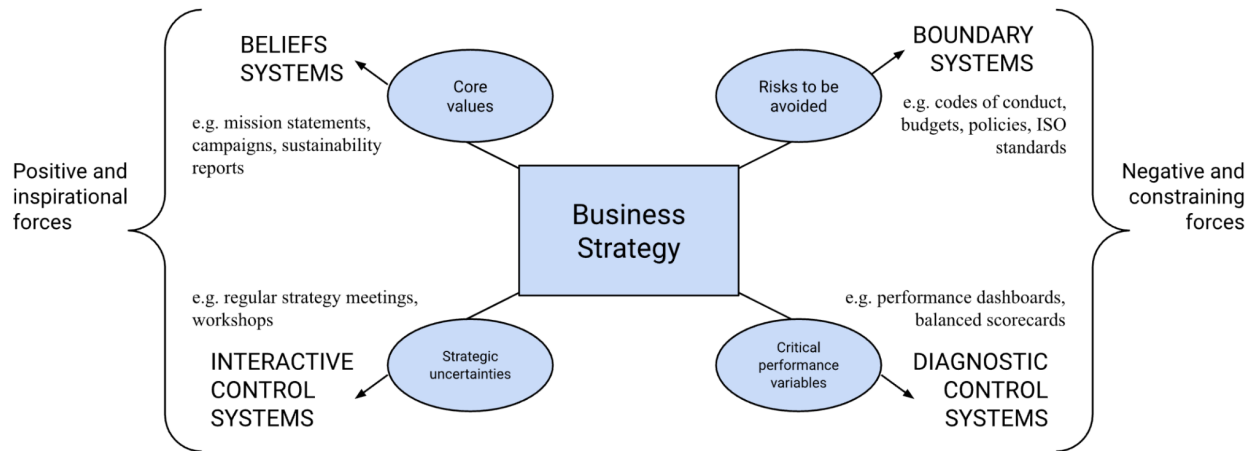
We believe the multinational context creates particularly interesting dynamics when designing and implementing CSR strategy, and aim to explore this further in our research. The tensions discussed in the SCS literature—such as the trade-off between short-term financial performance and long-term sustainability goals—are often amplified in cross-border settings. This divergence poses major challenges for aligning global sustainability control systems. Yet, the existing literature on SCS often overlooks this important contextual layer—namely, how multinational corporations design their control systems across local units to uphold a consistent global sustainability strategy. While the motivations behind CSR engagement and its influence on SCS design has been widely discussed, Maas et al. (2016) point out that significantly less attention is dedicated to understanding how companies actually integrate sustainability assessment, management control, and reporting into their operations. Responding to this call, we examine

how these controls are designed and implemented within multinational corporations, rather than evaluating whether sustainability control activities successfully achieve corporate goals.

2.2 Simons' Levers of Control

In 1994, Robert Simons published his book *Levers of Control (LOC)* examining 50 US-based companies and their implementation of control systems, bridging the disciplines of strategy and management accounting. Simons (1995) defines four key areas of control systems that organizations use to manage strategy and behavior: (1) *belief systems* serve as positive and inspirational forces, articulating the organization's mission, vision, and core values to inspire employees and align their actions with long-term strategic intent; (2) *boundary systems* function as negative and constraining forces by establishing explicit rules and prohibitions to prevent undesirable behavior, thus safeguarding the organization while still allowing innovation within defined limits; (3) *diagnostic control systems* are also constraining forces, using performance metrics such as KPIs and targets to monitor progress, enforce accountability, and correct deviations from plans; and (4) *interactive control systems* represent another positive and enabling force, fostering dialogue across organizational levels to promote adaptability, continuous learning, and shared ownership of strategic priorities.

The four levers of control are most effective when used in combination, creating a synergistic effect that supports the implementation and achievement of an organization's strategic goals (Arjalies & Mundy, 2013). These four levers belong to the two opposing forces of strategy within an organisation—resulting in a dynamic tension that must be managed to create effective control of strategy (Simons, 1995). He further states that power lies in this dynamic tension—while all four LOCs must be utilized to achieve an effective management control system, it is crucial to balance the constraining and limiting forces (boundary and diagnostic controls) with the enabling and inspirational forces (belief and interactive controls) in a way that supports strategic objectives and organizational effectiveness.



Several studies have built on Simons' framework to extend it to sustainability control systems (Gond et al., 2012; Arjaliès & Mundy, 2013; Beusch et al., 2022; Kerr et al., 2015; Semenova, 2021). Commonly, these studies differentiate between two applications of interactive control systems: (1) interactive use of controls, which involve internal dialogue, and (2) strategic validity controls, which pertain to external dialogue and monitoring of the regulatory environment—a distinction we also apply in our study.

Arjaliès and Mundy (2013) extend Simons' (1995) levers of control framework by adapting it to the specific challenges of managing CSR strategies. While Simons developed LOC to manage strategic tensions in for-profit settings, Arjaliès and Mundy reconceptualize the levers to account for the ambiguity, value-driven goals, and external stakeholder pressures inherent in CSR. Kerr et al. (2015) build on Arjaliès and Mundy's (2013) application by linking lever combinations to distinct sustainability strategies, and argue that as firms progress in their CSR maturity, their configurations of SCS evolve.

Gond et al. (2012) propose a typology of eight configurations based on the diagnostic and interactive use of MCS and SCS, distinguishing between tightly coupled and decoupled systems. For example, "embedded sustainability" reflects high integration and interactivity, while "symbolic integration" denotes superficial alignment. Beusch et al. (2022) incorporates Simons' belief and boundary levers into Gond et al.'s extended framework. This broader perspective depicts MCS-SCS integration as an iterative process rather than a static configuration. Kruis et al. (2016) extend Simons' LOC framework using configuration theory, addressing the ambiguity

around the concept of ‘balance’ by identifying four distinct control system configurations: strategic vigilance, exploitation, responsiveness, and stability. Each configuration emphasizes a particular combination of two control levers (e.g. strategic vigilance focuses on belief and interactive controls to ensure adaptability). Kerr et al. (2015), Gond et al. (2012), and Kruis et al. (2016) all build on Simons’ framework by exploring control configurations, linking how firms emphasize specific levers in response to their strategic goals and external conditions. We further explore this in our analysis.

The LOC framework recognizes the significance of more fluid and enabling forms of control, namely belief and interactive control systems (Arjaliès & Mundy, 2013; Rodrigue et al., 2013; Beusch et al., 2022). This is especially important in the context of sustainability, which often demands a balance between hard controls and softer elements like organizational culture, values, and adaptability in the face of uncertainty (Ghosh et al., 2019; Johnstone, 2019). Thus, the LOC framework is useful for capturing the complex and evolving nature of sustainability control systems in multinational corporations investigated in this paper.

3. Methodology

3.1 Research design

We chose to conduct qualitative research that employs an empirical comparison of two firms. This approach enables us to explore individual perspectives and contextual factors in depth, providing a richer understanding of the complexities involved in sustainability management control. A key reason for pursuing a dual empirical study, as opposed to a single case, was the analytical depth gained through comparison. By interviewing the companies’ representatives engaged in sustainability, we gained insight into how their SCS is designed and implemented at the corporate and local level, comparing their approaches and the resulting organisational dynamics created. Given the time constraints and risk of compromising analytical depth, we limited our study to two companies.

While case studies may limit generalizability, our primary aim is to develop a nuanced and in-depth understanding rather than to produce broadly transferable conclusions (Saunders et al., 2009). Nevertheless, by adopting a dual case study approach, we have strengthened the external

generalizability of our findings, as analytical conclusions drawn independently from two distinct cases are inherently more robust than those based on a single case alone (Yin, 2009). Generative AI was used during the literature review and writing process (*see appendix I*).

3.2 Selection of case studies

The empirical study is based on two large multinational corporations, referred to by the pseudonyms NexTech and Livora. To create a basis for an effective comparison, we required both companies to be similar in certain key aspects. First, we needed to ensure the presence of sustainability control systems in our chosen companies. The selected companies are recognized sustainability leaders who integrate sustainability into their core operations, rather than treating it as a standalone risk management function. As Crutzen et al. (2017) emphasize in their study of leading European sustainability performers, this naturally led to the expectation that management controls would be in place to support sustainability strategy. Furthermore, it was essential that both companies had similarly complex cross-border operations. Both firms are headquartered in Europe with international operations, requiring them to navigate a range of regulatory environments, ethical standards, and stakeholder expectations, all while managing the risk of reputational damage. Reputational risk makes up the third similarity. Kerr et al. (2015) observe that "the integration of sustainability reporting into MCSs is likely to occur in companies that have significant social and environmental impacts and risks"—risks generally more prevalent in multinationals, given their global presence.

Beyond these key similarities, the case companies differed in business models and industries, which created analytical depth to our comparison. NexTech is a publicly-listed B2B multinational, while Livora is a privately held, B2C corporation. Both firms' strong commitment to CSR is well-documented and their extensive global presence results in a high level of transparency, providing valuable insights for our study. This allows us to complement interview insights with secondary data, enhancing the depth and reliability of our findings.

3.3 Data collection

3.3.1 Choice of data sources

Semi-structured interviews are our primary data collection method, offering the flexibility to explore complex, open-ended questions while maintaining consistency in key themes—an approach supported by Saunders et al. (2009) as particularly effective when addressing numerous, complex, and adaptable questions. According to Robert K. Yin (2009), an investigator should remain flexible and adaptive, which makes the semi-structured interview format particularly suitable for our case study, as exploring relevant perspectives requires a line of questioning that can be adjusted based on the interviewee's responses. A semi-structured format allows us to continuously refine our focus as new insights emerge from our discussions with participants. This aligns with Aspers & Corte (2019), who emphasize that qualitative research does not rely on predefined variables but instead allows categories and themes to emerge throughout the research process. However, this approach can give rise to several data quality concerns, particularly regarding reliability, interviewer bias, and the validity of the findings, all of which have been addressed below (Saunders et al., 2009).

Our secondary data sources include publicly available documents, such as annual sustainability reports, press releases, employee and supplier codes of conduct, in addition to a few documents that were shared with us privately by the case companies (*see appendix 2*). Given that CSR strategy is highly context-specific, a deep understanding of the company's background, organizational structures, external sustainability reporting and compliance frameworks was essential in each stage of the process.

3.3.2 Gaining access to interviewees

As Lee (1993) poses, our position as researchers is weak in comparison to other organisations in terms of gaining access to data from companies as we have little to offer in return. This was particularly prevalent in the beginning stages of our research—our entry point into our chosen organizations being a determining factor in our success of securing access to relevant interviewees. After an unsuccessful attempt at securing access with a Swedish multinational that was prolonged, we redesigned our study, which limited the time available for the remaining research process. To avoid similar setbacks, we subsequently ensured that the initial point of

contact with our selected companies was established through top management. Thereby, we secured collaboration from the outset and were granted greater freedom to contact employees we deemed relevant; our initial contacts also provided us with an overview of the organization and the structure of the sustainability divisions.

We employed snowball sampling on a small scale when gaining contact to interviewees, a technique that has been seen as particularly effective in qualitative research (Noy, 2008). This approach enabled us to reach individuals recommended by interviewees who could provide deeper insight into topics beyond the interviewees' own areas of responsibility. However, this method may be unsuitable for multi-case studies that aim to compare findings across cases, as it can hinder the replication of insights due to variations in interviewee selection (Yin, 2009). Therefore, we made sure to clarify the type of interviewee relevant to our study to each reference person beforehand.

3.3.3 Interview design and procedure

Pilot studies serve as an initial entry point into the field, allowing researchers to assess their approach, refine methods, and ensure the study remains relevant to the empirical setting (Aspers & Corte, 2019). We conducted a pilot interview with an independent consultant experienced in implementing CSR in large multinationals. This provided practical insights that were not easily accessible in the literature and helped identify key themes for our interview protocol. A pilot interview was essential due to our limited time and access to interviews, ensuring we asked precise and effective questions from the outset. As the consultant no longer represented a specific company, he spoke openly about operational challenges, organizational tensions, and common tradeoffs in sustainability strategy implementation, offering cross-company perspectives that deepened our understanding and informed subsequent interviews.

An example of how the consultant influenced our interview design was by sharing a case of a CSR breach at a previous employer. In the consultants case, unknowingly to the company, a lower tier supplier employed child labor which led to a serious ethical breach and a public scandal. However, rather than denying responsibility or severing the relationship immediately, the company took ownership and acted proactively. They launched a community-based initiative by developing a training program that replaced child labor with young adults, providing them with

education and fair wages. The program was later verified by the ILO leading to huge reputational advantages such as “headlines in the Financial Times, saying fantastic work [...] finally a company does the right thing” [C]. This demonstrated how a transparent and locally engaged response to a CSR failure can not only mitigate reputational damage but ultimately strengthen internal systems and result in positive public recognition. This influenced us to investigate how our case companies have handled historical scandals and their long-term impact on their sustainability strategies.

Developing a relevant and informed interview protocol requires thorough engagement with existing theory and empirical research to clarify the study’s academic contribution, sharpen its focus, and support an iterative approach (Marshall & Rossman, 1989; Yin, 2009). Accordingly, we invested considerable time in familiarizing ourselves with the SCS literature and reviewing the companies’ public documents, which also supported data triangulation in our analysis.

In designing our interview protocol, we structured five key themes with 5–7 open-ended, discussion-based questions under each. These questions blended exploratory and explanatory elements, encouraging rich, detailed responses and allowing interviewees to guide the conversation. The nature of the questions also established personal contact and trust, to mimic conversation rather than interrogation. Our interview protocol was continuously refined to incorporate new insights that emerged from the interviews. Our dual case study design also supported this iterative process, where insights from one company informed questions asked in the other.

Our first interview was conducted in-person, while all our subsequent interviews were conducted digitally through Microsoft Teams, as the participants were located in different geographic areas. We held a total of six interviews, three of which were with employees from NexTech—including one dual interview involving two participants—two interviews were with Livora, and our first was our pilot interview with the consultant. In addition to our two formal interviews with Livora, we also engaged in complementary email correspondence with the company’s CEO, as well as both our interviewees. The interviews varied in length between 45–60 minutes (*see appendix 3*). Before each interview, participants signed a GDPR form ensuring data protection and anonymity, which encouraged candid responses. Following Marshall and Rossman’s (1989) recommendation,

all interviews were audio-recorded, ensuring minimal interference with the setting, and transcribed via Microsoft Word.

3.4 Data analysis

Our research design enabled an open and iterative data collection process, with data analysis continuously integrated throughout the study. Both authors were present during all interviews, which strengthened the reliability of data decoding and reduced the risk of individual interviewer bias affecting interpretation. After each interview, we engaged in joint discussion to clarify elements of the data immediately, and to initiate the process of decoding. This was where our preparation through prior academic research and pilot interview was shown particularly effective in enabling us to categorise quotes from the interviews into different elements of our theoretical framework (Marshall and Rossman, 1989).

To enhance the validity of our findings, we employed triangulation—the process of collecting data from diverse sources and perspectives to reduce systematic biases (Maxwell, 2004). Data source triangulation ensured that our findings were not solely reliant on our primary interviews, but instead cross-verified through our analysis of publicly available documents as well as documents provided to us privately by the case companies. By combining these methods, we reduced the risk of bias and strengthened the credibility of our interpretations (Maxwell, 2004). This method was used in parts of our analysis where accuracy was especially critical—such as understanding the companies’ corporate structures. On the other hand, in sections where capturing nuance and individual perspectives was the primary goal, it also allowed us to identify areas of tension where the interviewees’ narrative diverged from each other or the companies’ public statements, thereby enriching our analyses and discussion.

Throughout our analysis, we have aimed to accurately reflect the content of interview quotes, while correcting language errors, particularly those stemming from respondents speaking English as a second language, to enhance clarity and readability.

4. Empirical findings

4.1 Overview of empirical cases

Below we present an overview of each company's sustainability strategy and compliance frameworks. For both companies' strategy frameworks, we have used pseudonyms to preserve anonymity. An important contextual factor influencing CSR strategies is the difference in business models: NexTech operates in a B2B (business-to-business) setting, whereas Livora is a B2C (business-to-consumer) retailer. This distinction plays a critical role in shaping how CSR priorities are communicated and received by key stakeholders, as well as how each company navigates the inherent trade-off between financial performance and sustainability goals.

4.1.1 NexTech

NexTech's sustainability framework, CIRCUIT (Carbon Reduction, Integrity, Resource Efficiency, Compliance & Governance, Upholding Fairness, Inclusive Employability, Transparency), outlines clear goals and actions to guide their sustainability ambitions. Under the Carbon Reduction pillar, the company has joined the Science-Based Targets initiative (SBTi), while expanding their ambitions beyond their validated target by accelerating their decarbonization timeline—aiming for net-zero emissions in operations by 2030 and across their supply chain by 2050.

NexTech develops technologies and systems that advance sustainability. Because many of NexTech's customers are also large corporations with established ESG targets, sustainability is not merely compliance-related—it is a core part of the business relationship. In fact, over 90% of the company's business portfolio directly contributes to their customers' sustainability outcomes, making the firm's CIRCUIT framework a central component of their value proposition. As one manager at NexTech noted: “We are providing technology product solutions to customers that with our products make a sustainable impact” [N1]. Serving customers that are actively advancing sustainability initiatives provides NexTech with a strong business rationale to align its offerings with ambitious targets.

4.1.2 Livora

Livora's overarching sustainability strategy is built around three guiding principles: (1) Wellbeing and responsible consumption, (2) Environmental impact and resource efficiency, (3) Human rights and equal opportunity. These principles serve as the foundation for how the company defines priorities, sets KPIs, and evaluates impact across their global operations. They also structure the internal organization of the sustainability division, with dedicated strategy teams for each one of the core principles, responsible for driving progress and coordinating initiatives in their respective areas.

Livora is also committed to the SBTi, with strengthened targets approved in 2024. In their revised commitments, the company pledged to reduce absolute greenhouse gas emissions across the value chain by at least 50% by FY30 and to achieve net-zero emissions by 2050—without relying on carbon offsets to meet these absolute reduction goals.

As noted by the CSR consultant in our pilot interview, companies must often strike a balance between their sustainability ambitions and the financial realities of production, since more sustainable practices can lead to higher production costs—and ultimately higher prices for the end customer. He emphasized that, while consumers may express interest in sustainability, they often hesitate to pay a premium when faced with the actual purchase decision. This is a challenge that Livora experiences since they operate in a B2C environment, where cost sensitivity among consumers creates a constant tension between maintaining affordability and pursuing ambitious CSR goals. In their climate action plan, the company emphasizes both the opportunity and responsibility that come with their size and global presence. They highlight affordability as a key barrier to sustainable living, stressing that sustainability should not be a luxury for the few. Instead, they aim to make sustainable lifestyles accessible to all—particularly those with limited financial means—by offering solutions that help save energy, reduce waste, and lower costs.

Although sustainability is central to Livora's brand and long-term strategy, many of their customers are not willing to pay significantly more for ethically produced goods, which limits how far sustainability initiatives can be pushed from a pricing standpoint. As one employee explained:

“In the end it is the price that is the main factor for [customers] decision making... We try to find the sweet spot between what materials we can use that are sustainable to a price that is affordable to the many” [L2].

This commercial constraint means Livora must innovate around cost-efficient sustainability and embed responsible choices in design, sourcing, and pricing, without relying on customer willingness to pay a premium. As such, sustainability becomes a balancing act between impact and affordability, supported by efficient control systems and cultural integration.

Despite these limitations, sustainability remains central to Livora’s branding and hiring strategy, with clear messaging around the importance of shared values and internal alignment.

“[Sustainability] is definitely a brand positioning [...] we would definitely see it as a competitive advantage [...] you could not even compare us to other market players” [L1]. In contrast, NexTech benefits from a B2B setting where sustainability is commercially rewarded, allowing for more ambitious sustainability goals without compromising profitability. This highlights how business models and customer expectations fundamentally shape the scope of their SCS.

4.2 Levers of control

We have categorised the SCS according to Simons’ four LOCs to facilitate a clearer interpretation of our findings. Unlike most applications of Simons’ LOC framework, we begin our analysis with interactive control systems to illustrate the structural characteristics of the organizations. We then introduce the two constraining levers—diagnostic and boundary controls—before concluding with an examination of belief systems.

4.2.1 Interactive control systems

Interactive control systems are positive and inspirational forces, encouraging employee engagement in strategic discussions to foster adaptability, learning, and innovation.

Organizational structure is key in facilitating effective interactive control systems. Both NexTech and Livora have strategically embedded CSR into their overarching business models and governance structures. Both companies have a Chief Sustainability Officer in their Managing Boards, and a centralised business unit dedicated to sustainability strategy and reporting in their

head offices, however their structure differs in terms of their approaches to integration across their functional units.

NexTech has a centralized Sustainability Organisation, consisting of a Sustainability Executive Committee with governing individuals and a Sustainability Board. The Sustainability Board includes representatives across business and country units, each responsible for monitoring and driving sustainability performance in their respective area. NexTech integrates sustainability roles across regional and functional units, enabling close coordination between the sustainability organisation and operational levels. The Chief Sustainability Officer serves as the link between their Sustainability Organisation and Managing Board. According to an interviewee, this structure enables CSR to be prioritised from the very top of the company: “Sustainability is really in the core of all of our operations” [N1] (*see appendix 4*). In terms of decision-making and goal setting, global sustainability goals are defined at the central level by the Sustainability Organization. These targets are then cascaded down to regional offices, where all have a separate Sustainability Officer responsible for setting the centrally defined goals into action.

An example of how interactive use of controls are employed in NexTech is through structured dialogue and knowledge-sharing initiatives within commodity groups. An employee explained that managers from different countries regularly participate in workshops and internal discussions to exchange best practices and discuss shared initiatives. These sessions aim to inspire participants, facilitate learning from each other’s experiences and enhance understanding of the resources required for implementing initiatives. As described:

"We will share with each other all the initiatives around productivity, around performance, around sustainability [...] to get a better understanding of the amount of resources you have to allocate to get some initiative done [...] it is really about sharing in our community and learning from each other's experiences" [N3].

Management encourages the application of shared insights in regional operations, fostering a culture of continuous learning and strategic alignment. Horizontal collaboration is maintained through informal communication. As one employee explained, describing how she reaches out to colleagues in other countries for help with problem solving: “If you want to find each other, it is on an informal basis. You phone or email them to ask ‘can we have a quick chat?’” [N4].

Furthermore, supply chain management is centralized in NexTech, especially when working in high-risk regions. When discussing business in Iraq, one employee explained how this strengthens their SCS through clearer lines of responsibility and communication. The interviewee further stated:

"We centralise the organisation [...] because it's still difficult to do business there without corruption. [...] Therefore, it is important that we have people on the ground there that really know the situation and also the people and organizations you can do business with [...] Only business through our regional organisation is allowed because they know the situation best" [N1].

In an attempt to maintain compliance with NexTech's principles and code of conduct, all transactions involving Iraq must be handled through the UAE subsidiary, where staff are familiar with the local context and trusted networks. These practices demonstrate that NexTech relies on interactive use of controls and strategic validity controls to ensure adherence to ethical standards across markets. NexTech provides formal CSR training to all new suppliers to align them with the company's sustainability expectations from the outset. This is part of a broader effort to build long-term capacity and shared understanding across the supply chain. As one employee noted: "We train all the direct and indirect [suppliers] on supply chain management and sustainability" [N2]. To support ongoing learning, the procurement manager added that suppliers are given free access to high-quality sustainability training modules—she noted this is "quite uncommon in the supply chain world that you provide as a customer" [N3].

Livora operates with a separate Group Sustainability unit dedicated to ESG strategy, goal-setting and reporting. They also have separate strategy teams for each of their sustainability focus areas: Environmental impact and resource efficiency, Wellbeing and responsible consumption and Human rights and equal opportunity. Unlike NexTech, Livora does not have sustainability officers embedded across all business or geographical units. But they do claim that sustainability is embedded across every role in the organization "even if they don't have sustainability in their title, [...] they are reporting [on metrics] going into our sustainability reports" [L1]. Strategy implementation is led by country CEOs on a local level, who also serve a dual role as sustainability officers (*see appendix 5*).

The Group Sustainability unit formulates targets which are communicated to national boards. Lines of communication are described as highly interconnected by employees at Livora, one stated that it is “Almost like a spider web” [L2], facilitating interactive use of controls. The Sustainability Reporting Lead noted that each store assigns a data collector to report sustainability metrics to the headquarters. To ensure accuracy, she mentioned monthly Q&A calls and regular training sessions for data providers. “We need to make sure that we don't impose the task onto a function [...] then they don't really feel like they own it. So they need to be part of the discussion from the start of developing a new measurement” [L2]. An employee likened their goal-setting process to a ‘chicken-and-egg’ situation, emphasizing its iterative and collaborative nature by further stating: “A lot of things are very collaboratively done” [L2]. This employee explained that it is not always possible to distinguish whether goals originate at the global or local level—but continuous dialogue ensures that both perspectives are represented.

Externally, Livora engages with suppliers through their supplier code of conduct program, here referred to as LivCo. The program includes regular supplier meetings, capacity building workshops and individualized training support. One employee mentioned a system for recording dilemmas to support learning and “if there is some hard dilemma with a supplier, then we have monthly meetings where you can raise [the concern] with people who are working with [LivCo]. Then we develop solution ideas” [L1]. Furthermore, she emphasized their use of strategic validity controls: “It's always an open dialogue with suppliers, like ‘how can we help and do you need support?’ The sustainability developers role is actually to help the suppliers to comply” [L1]. Additionally, she stressed the importance of local adaptability, noting: “I was responsible for adapting [LivCo] into the local context” [L1].

According to Livora’s sustainability report, suppliers are also encouraged to share learnings with each other to support collaborative development across the supply chain. For example, it is stated that through a pilot engagement project, two suppliers co-developed a learning programme with Livora and later led workshops for 21 other suppliers, reaching over 12,000 workers. Through such formats, suppliers contribute to shared learning and co-create development tools. Additionally, an employee stated “it is an open dialogue with the supplier, [...] to share best practices, because especially in bigger markets we see how different companies perform and we can share the good examples that we observe across the industry” [L1]. These efforts are

described as a means to strengthen shared responsibility, build capacity, and promote mutual learning across the supply chain. Through offering free training for suppliers, such as in internal auditing, health and safety, they are able to attract more supplier partnerships. One of the employees reiterated this, stating “I know that a lot of companies have been eager to work with [Livora] to actually learn from us and our standards [...] for smaller companies it is a really great opportunity” [L1] and that Livora’s high sustainability goals in general are “one of the selling points I would say, definitely, for coworkers and the suppliers” [L1].

4.2.2 Diagnostic control systems

Diagnostic control systems are negative and constraining forces, aiming to monitor performance using KPIs, budgets, and reports. NexTech employs a comprehensive set of KPIs to evaluate both employee and supplier performance in line with the company’s sustainability objectives. One interviewee explained that CSRD has contributed to making NexTech’s SCS even more formalized—sustainability KPIs are defined at the global level and applied uniformly across all subsidiaries. The only exception for this standardization is when KPIs are irrelevant. For instance, one manager described how her unit was not engaged in activities involving water usage, and thus given permission to opt out of reporting on water-related KPIs. The interviewee explained, “We had to accept or decline the KPIs, and if you weren't going to accept a KPI, you had to motivate” [N2].

Sustainability KPIs are directly linked to top management compensation through long-term variable incentive programs. Simons (1995) supports that diagnostic control systems can narrow the focus of opportunity-seeking by linking formal incentives to output metrics, thereby aligning individual motivation with broader organizational objectives.

NexTech employees report that suppliers are chosen not just for price and quality, but also for alignment with the company’s sustainability expectations and KPIs. This practice can be linked to Simons’ (1995) concept of input control, where quality assurance is achieved not only by direct output monitoring, but through the careful selection and evaluation of inputs—in this case, supplier values and compliance readiness. However, the ambition expressed by the Head of Procurement highlights a gap between intention and current practice. Her goal is not only to select suppliers who already meet existing standards like NexTech does today, but also to actively

influence supplier behavior by introducing and enforcing formal sustainability KPIs. She explains that “it has to be and it will be in the future, a mixture of both [careful selection and enforcement of KPIs] because you want to take suppliers with you on your journey” [N3]. To further support suppliers' transition toward more sustainable practices, the Country Sustainability Manager described that NexTech has developed free monitoring and development tools, including one measuring their carbon emissions. Suppliers can also offer the tool to their own suppliers, creating visibility across multiple tiers of the supply chain. While the tool is currently voluntary, the employee noted that it may be enforced as an assessment metric in the future.

To ensure compliance with the Code of Conduct, an employee at NexTech mentioned that supplier audits are conducted through external auditors, and the company applies both proactive due diligence in high-risk regions and reactive due diligence when specific concerns arise [N2]. This described approach suggests a structured process intended to identify and manage supplier risks both before and after issues emerge. However, the Head of Procurement acknowledged the need to improve the consistent and systematic application of proactive supplier audits, noting that the current approach still tends to be “more reactive than proactive”. Hence, while mechanisms for proactive auditing seem to exist, their application may not yet be sufficiently embedded or effectively executed across all supplier relationships.

Unlike NexTech, Livora does not include climate targets in their variable remuneration for executives or employees according to their climate transition plan. Livora’s primary diagnostic control system is mobilised through in-store dashboards. These dashboards are structured around key strategic areas, each linked to specific KPIs. For instance, within the strategic area of climate, each store's carbon footprint is monitored to ensure alignment with set performance targets. All employees have visibility into their unit’s goals and progress, which, according to one interviewee, also serves as a source of internal motivation. The employee described: “These KPIs are updated on a monthly basis, you can also see what other stores in the area are doing and compare yourself. You can see your full country level as well as other countries” [L2].

Simons (1995) describes how diagnostic controls constrain employees by setting clear benchmarks for expected performance. Through structured KPI tracking and peer comparison, they define what outcomes employees and stores should deliver, providing clear direction. In Livora’s case, employees claim that the dashboards establish measurable expectations and

promote internal alignment—while still motivating employees through visibility and relative performance, rather than financial incentives. However, as Simons also warns, the constant visibility and comparison embedded in diagnostic controls may produce dysfunctional side effects, such as internal pressure or *gaming behaviors*—where employees manipulate data or focus narrowly on metrics to meet targets—particularly when performance targets become overly dominant. Thus, while Livora’s dashboards might create local accountability and engagement, the constraining element could limit autonomy or induce stress among units constantly being measured against one another. Although employees describe the system as inspirational, we classify it as diagnostic, given its primarily constraining function.

To ensure supplier alignment with LivCo, risk assessments are conducted when entering new supplier relationships. According to their sustainability report, Livora conducted more than 790 verification activities across their supply chain in FY24, including gap assessments for new suppliers and targeted or full audits for existing ones. The former Procurement Sustainability Developer emphasized the continuous supervision by stating: “[monitoring] is a constant process, there are a lot of spot checks” [L1]. In higher-risk contexts, the company performs audits not only of direct suppliers (Tier 1) but also upwards into the supply chain when necessary: “Sometimes it is not just the first tier suppliers but also further up. So we might go all the way to Tier 5 to conduct an audit” [L2]. For existing suppliers, one employee stated that the first principle in LivCo outlines that internal audits should be conducted by their suppliers at least every 12 months. In addition, he mentioned the firm actively seeks sustainable suppliers and supports their development through regular performance tracking, including detailed reporting every month across various metrics e.g. 50 waste categories, CO2 emissions etc.

4.2.3 Boundary systems

Boundary systems are negative and constraining forces that set clear rules and behavioral limits to prevent unethical conduct and reduce organizational risk. As Simons (1989) poses, “most business conduct boundaries are developed and communicated after an incident or crisis exposes the firms to unexpected asset or reputational losses”. Hence, examining how companies respond to crises can offer valuable insight into the development and functioning of their compliance systems. This made the case of NexTech especially relevant, as the company experienced a major public compliance scandal in the early 2000s that significantly shaped their current approach. An

illustrative example of the transformational reform that resulted from the crisis was shared in interviews with NexTech. In the early 2000s, stricter global standards for ethical business conduct emerged, and the company failed to adjust. The resulting public scandal ultimately became a turning point for NexTech's CSR and compliance. When reflecting on the scandal, the Regional Compliance Officer stated: "That was of course a dark period in our history" [N1].

In response, the company entered a period of intense internal reform. The firm built a comprehensive compliance system from the ground up, introducing a centralized compliance function, strengthening procurement oversight, and launching structured third-party assessments along with a global Code of Conduct. As the employee summarized, it is an "example to show how a multinational company had problems with integrity but turned this into a positive thing" [N1]. The employee further explained how the company in the early phase experienced a "really intensive period then building up the compliance system [...] In the beginning it was really monitoring and rule based" [N1]. He claimed this significantly improved CSR practices and ultimately strengthened long-term trust and corporate reputation.

Today, NexTech has an established compliance system centered around their Code of Conduct. Our interviewees expressed how it benefits the business to have standardised boundaries and behavioral expectations globally. To embed these boundaries in practice, a Regional Compliance officer stated: "We have a very strict process for [supplier/partner] onboarding" [N1]. He further described how NexTech incorporates mandatory ethics and code of conduct training, starting at onboarding and repeated every three years, exemplifying how boundary systems are operationalized through diagnostic control mechanisms.

At NexTech, the same process applies to both employees and suppliers when ethical violations occur: an investigation is conducted and a formal report is prepared to assess the nature and severity of the breach. Based on the findings, appropriate disciplinary actions are determined by standard protocol. In cases of major violations, such as repeated non-compliance or serious ethical misconduct, NexTech terminates the supplier or employee relationship. However, for less severe breaches, NexTech may choose to continue the partnership under the condition that the party agrees to an improvement plan, like one employee stated: "Based on the situation we can go for an improvement plan [for suppliers] and that's also the case with disciplinary actions towards

our own employees” [N1]. This plan is developed collaboratively and outlines specific corrective actions and timelines to ensure compliance with the company’s standards.

Unlike NexTech, which developed their boundary systems in response to a public crisis, Livora has built their compliance framework gradually. Employees claim that it is rooted in long-standing sustainability values and established to support ethical behavior and compliance across both internal operations and global supply chains. The former Procurement Sustainability Developer at Livora, who had previously worked with LivCo in Russia—a country categorized as high-risk—explained that the company initially faced challenges in implementing their sustainability values throughout the supply chain. One significant issue involved ensuring fair compensation practices: “it was definitely a concern with the tax and the workers wages, everything that's related to fair pay” [L1]. Despite this, she further claimed that Livora’s approach succeeded in establishing a new norm: “We would be one of those setting the standard on the market. It has actually changed the market itself for some of the industries” [L1].

Internally, Livora communicates expected behavioral standards through the global employee Code of Conduct, outlining non-negotiable principles related to integrity, anti-corruption, and human rights. The code is implemented through structured onboarding routines, including function-specific ethics and sustainability training. As the Global Climate Specialist explained, the amount of training depends on the position, but every role receives some form of onboarding; store co-workers typically complete a short training, while those working in supply chain roles may undergo more extensive programs—such as a week-long LivCo training [L1].

Externally, Livora enforces boundaries through the LivCo standard. All suppliers are required to sign LivCo, setting requirements on labor rights, safety, environmental practices and anti-corruption. Violations of the supplier code of conduct are handled in a tiered enforcement process—similar to NexTech—a stepwise approach where minor violations lead to corrective actions and support, while repeated or severe breaches result in termination. As one interviewee explained: “Worst case, we might even end supplier relationships, but typically we really try to help the supplier to improve” [L2]. The interviewee further states that corrective action plans are often co-developed, and support through workshops and individual training is provided.

Both NexTech and Livora emphasize collaborative remediation when addressing breaches of ethical or sustainability standards in their supply chains. While this reflects a strategic commitment to building long-term relationships and encouraging supplier development, it also introduces potential tensions. In contexts where enforcement capacity is limited or where local norms conflict with global expectations, the reliance on voluntary improvement rather than strict sanctions may weaken the effectiveness of boundary systems. If not paired with consistent follow-up, audits, and clear consequences, this approach risks undermining the credibility of the standards it seeks to uphold.

4.2.4 Belief systems

Belief systems are positive and inspirational forces, communicating and reinforcing core values, mission, and vision, inspiring employees and aligning their behavior with the organization's purpose. The development of NexTech's belief systems has been strongly influenced by past challenges, particularly the major compliance breach discussed above that became a catalyst for cultural transformation. One employee noted that starting with a rule-based approach after NexTech's early 2000s compliance breach was valuable, as it laid the groundwork for today's culture, which now relies primarily on core values.

“The nice thing about this situation is that it really became part of our culture to make the right impact and to do things in the right way [...] We were moving from a rule based to a value based approach, and therefore we could significantly reduce the complexity and the administration efforts”. [N1]

Today, rather than relying on rigid enforcement, extensive efforts with boundary systems has resulted in NexTech placing trust in employees' internalized understanding of their ethical values. As one employee explained: “Nowadays we have a much different code of conduct. For instance it is much more left to the people because we trust in our integrity culture that they're doing the right thing” [N1]. This shift reflects a broader belief that values should guide behavior organically, rather than being imposed through external control. Simons (1995) warns that doing so may constrain individual initiative and limit the emergence of innovative, value-creating ideas. Instead, he states that boundary systems define unacceptable behaviors, while belief systems

encourage individual creativity to explore solutions within those limits—a balance that appears to underpin NexTech’s current approach.

Furthermore, one of the most significant shifts after the scandal was a replacement of top managers to ensure the right ‘tone from the top’. “Tone from the top is really important. If top management is accepting wrong behaviour then it has a huge impact on the culture of the organization. So therefore we also changed a lot of the management in the organization” [N1]. When speaking about the company’s top management today he described that “they have really embraced this topic [ethical values], it comes from their heart to do the right thing” [N1]. He believed that the firm's leadership played a critical role in turning the crisis into a driving force for change, reinforcing the credibility and resilience of the organization’s sustainability agenda. The employee even quoted their former CEO—“only clean business is [NexTech] business” [N1]—further emphasizing the influence of top management in the organisation.

NexTech’s response to the compliance breach played a key role in establishing their reputation as a global leader in sustainability. According to employees, the scandal marked a pivotal moment that prompted the company to raise their standards, resulting in long-term cultural change and systemic improvements—echoing the transformation described by the consultant in his case. As one interviewee explained, the current way of working is as follows: “Our ethical principles are more than only respecting the law” [N1]. For example, after Russia invaded Ukraine, the company decided to terminate all business relationships connected to Russia, even with entities that are legally permissible to work with but conflict with the company’s ethical stance. One executive stated:

“We do not want to support the Russian invasion of Ukraine. That means sometimes we also have customers with more than 50% Russian ownership who are not legally sanctioned—but we still refuse to do business with them. No way we want to support that regime” [N1].

This reflects a broader philosophy in the organization that distinguishes between compliance and ethically responsible behavior:

“Compliance is about rules and regulations, and of course we follow them. But our ethical principles go further. Sometimes something may be lawful, but we won’t do it because of the impact it would have. It’s about the kind of society we want to help create” [N1].

NexTech’s belief systems are also enacted in their value chain through intentional storytelling and internal communication. Employees explain that ensuring supplier alignment with the company’s ambitious CSR targets involves more than presenting them a set of rules. One employee emphasized the importance of balancing incentives and enforcement, noting that it is often about finding the right mix between ‘the carrot and the stick’. In regions where sustainability awareness is still developing, formal mechanisms such as the code of conduct may initially feel restrictive to suppliers. Therefore, one employee stressed the importance of explaining the purpose behind these requirements, stating it is necessary to “explain to people why you are doing the things you are doing. And not just confront them with a bunch of regulations” [N2]. To explain this, NexTech references storytelling as a method of communicating, aiming to show suppliers how they contribute to the company’s broader sustainability vision. One manager described the approach: “We ask ‘How can we help you [the supplier] play along?’ You have to inspire them, you have to showcase deals that you make, showcase contracts that are sustainable. You have to show them how it is done” [N2]. The Head of Procurement described how the company also uses storytelling during their annual supplier day, where the theme—sustainability, resilience, and partnership—is communicated through both content and setting. The most recent event took place at a vertical farming lab, a sustainability partnership project that NexTech is involved in, showcasing innovative, resource-efficient food production. “It’s not only bringing the story but setting the scene—living the story” [N3]. The day featured only organic, plant-based food, aligned with the core message. However, upon further inquiry, she clarified that the supplier day was primarily structured around one-way presentations intended to inform and inspire, not mentioning opportunities for dialogue or engagement. Accordingly, we interpret these events as aligning more closely with belief systems than with interactive control systems.

Livora also has a strong belief-driven approach in their sustainability strategy. According to their sustainability report, creating a better life for everyone has been a guiding principle since their founding, forming the foundation for their values and long-term direction. Employees point to the company’s origins and longstanding belief systems as the basis for their current sustainability

focus, referencing an early mission statement from the 1970s and the Livora Method Program released 1985, a precursor to the Code of Conduct—both of which strongly emphasized the social dimensions of responsible business. This mindset has been consistently reinforced by leadership, with CSR positioned as a strategic priority throughout the organization’s development. This is evident in how values are emphasized during recruitment, in their management practices, and strategic decisions. One employee summarized the core drivers behind their CSR success as: “definitely, good management support” and “hiring people into their organization with core values that actually support the movement” [L1].

In an email, the CEO of Livora explained that when working with sustainability one of the key priorities is to “make it simple enough—better to get started than to make it perfect” and to “make it uniform—so we don’t have to act or report differently across markets”. This view illustrates the company’s belief that value-driven action must be both accessible and scalable in a multinational context. He described the current movement toward global alignment around sustainability standards as a “bumpy ride, but such an important one”, reinforcing the leadership’s role in navigating cross-border complexity with core principles.

LivCo doubles as a development program, by not only outlining expectations, but encouraging continuous improvement towards their vision through a four-level model: Minimum, Good, Advanced, and Excellent. As one employee explained: “For example, to use only renewable electricity is part of Advanced and Excellent but it's not a requirement in the Minimum criteria sections” [L2]. A key element of Livora’s long-term supplier engagement strategy is to ensure that 100% of their strategic suppliers establish their own climate targets. This ambition is already showing progress, as over 60% of strategic suppliers have implemented such targets.

Underlying these initiatives is a strong belief that shared values, not only formal rules, drive transformation. One employee's statement: “They have to be part of it—not just follow rules. That’s how we make it work” [L2], reflects how Simons (1995) emphasizes that each individual must understand the organization's purpose and their role in fulfilling that purpose in order to contribute to organizational outputs. Employees emphasize that long-standing relationships are key to embedding sustainability into the supply chain. As one noted: “Some of the organisations have been with [Livora] for decades [...] that has created synergies and you actually start to co-create something sustainable together” [L1]. This collaborative dynamic reflects belief

systems centered on cultivating aligned mindsets across all levels of the value chain. The interviewees similarly describe how Livora seeks to embed sustainability into every part of the value chain through long-term engagement and shared responsibility.

Both NexTech and Livora claim to go beyond compliance by embedding values into decision-making and stakeholder relationships through their belief systems. These values are positioned as guiding principles for both internal behavior and external relations. Internally, they are reinforced by leadership communication, while externally they are articulated through comprehensive public documents such as sustainability reports. As Simons (1995) points out, belief systems only hold weight when backed by consistent managerial behavior. When actions do not align with values, credibility is compromised. NexTech's leadership evolved in response to a compliance crisis, whereas Livora's mission has remained rooted in its origins established by the company's founder.

5. Discussion

In what follows, we revisit the four LOCs through a comparative lens, highlighting patterns of convergence and divergence in how the two firms structure their control systems. The discussion that follows is structured around two main contributions, aiming to position our empirical insights in relation to the existing literature on sustainability management control.

5.1 Value Chain Influence on SCS Design

When examining how MNCs implement SCS in their global operations, it became evident that the role of suppliers could not be overlooked. When exploring cultural tensions, our interviewees consistently pointed to suppliers as a key source of challenge. Our findings suggest that a major complexity MNCs face when aligning global sustainability strategies emerges in their relationships with suppliers. While suppliers are considered external to the firm, they play a central role in key control systems such as codes of conduct, sustainability reporting, risk management—where misalignment can significantly impact the company's reputation—and even goal-setting. These suppliers' operations are also shaped by local cultural norms and regulatory environments, which often complicate efforts to align them with the MNC's overarching strategy. Unlike traditional MCS, SCS design frequently requires multinational companies to extend their

control systems beyond organizational boundaries to include suppliers. This dynamic is often overlooked in management control literature, which typically assumes that control mechanisms operate solely within the boundaries of the firm. The SCS literature has yet to fully acknowledge this dual role of suppliers—functioning both as external stakeholders and as actors that must be integrated into the company’s own control systems.

Meanwhile, customers also play a significant role in shaping the design of SCS. Their preferences, expectations, and price sensitivity influence how the company frames sustainability internally—either as a core strategic driver or as a peripheral branding element. A key factor is the nature of the customer: B2B firms are positioned upstream in the value chain, operating as suppliers to other businesses. This position exposes companies both to increased pressure and greater opportunity to invest in sustainability, as clients often transfer their sustainability commitments and brand responsibilities to their respective suppliers. While B2B customers prioritise cost, they may be willing to pay a premium to incorporate a product’s sustainability into their purchasing decision due to legitimacy concerns and sustainability targets. In contrast, aside from a few highly sustainability-conscious customer segments, most individual consumers are highly price-focused, which can limit B2C firms in pursuing sustainability investments.

In our study, both case companies maintain a high-level corporate perspective while differing in the extent and approach of their local-level adaptation. Our observations suggest that differences in both the degree of MCS-SCS integration, and the centralized versus localized approach to sustainability control, may reflect the distinct limits and opportunities tied to each firm’s position within the value chain.

NexTech’s approach reflects a more hierarchical control system, characterized by top-down goal setting, global standardization, and performance-based incentives. Their sustainability organisation is highly cross-functional, which enables integration of strategy across all geographic and business areas. Their operations in high risk regions, such as Iraq, are performed through centralized controls. Sustainability targets are defined from headquarters, not tailored to local contexts and enforced through strong diagnostic controls—such as KPI monitoring and integration into top management’s variable remuneration. Tying compensation to sustainability-linked KPIs aligns managerial behavior with NexTech’s strategic CSR objectives.

Interactive controls at NexTech appear more focused on ensuring coherence and consistency, with limited two-way dialogue, particularly in supplier settings. Notably, while NexTech frames certain activities such as supplier days as interactive control efforts, our analysis suggests these initiatives more closely resemble belief systems. These events are designed to communicate corporate values and inspire alignment, but they lack the reciprocal engagement and problem-solving typical of Simons' concept of interactive controls. Additionally, employees' repeated mention of the 'tone from the top' highlights that belief systems, rather than interactive controls, guide behavior within the organization. Given that NexTech's products are sustainability-focused innovations, their customers are also distinct in their strong focus on sustainability. We interpret that this rigid, top-down approach is motivated by NexTech's B2B business model and customer characteristics, where sustainability performance not only enhances reputation but also serves as part of their value proposition. These findings support Crutzen et al.'s (2017) conclusion that sustainability is most tightly integrated into corporate strategies when it aligns with profitability.

In contrast, Livora seems to take a more collaborative and flexible approach. While interviewees claim that sustainability is integrated into the roles of all employees in all functional areas, such responsibilities are in many cases not formally specified. In addition, management remuneration is not linked to sustainability KPIs. We attribute this lack of formal integration to Livora's B2C business model, where sustainability functions more as a complementary element aimed at enhancing brand reputation, rather than a core driver of customer purchasing decisions. This reflects Livora's position further down in the value chain. Nevertheless, their interactive control systems emphasize frequent, open communication between the Group Sustainability team at headquarters and local units. Furthermore, goal setting is more participatory, with local managers actively contributing by defining their own sustainability objectives alongside corporate targets.

The above indicates that MCS-SCS integration may be more closely linked to a company's position within its value chain than previously acknowledged in the literature. These insights suggest that the way external actors prioritize sustainability within a firm's value chain influences SCS design—both in terms of integration with MCS and in how they balance global alignment with local adaptability. In our study, the contrasting use of controls is evident—Livora's SCS reflects a decentralized structure, while NexTech's is more centralized. At the same time, these

differences could also stem from the companies' broader, established approaches to management control. When SCS are integrated with MCS, they might adopt the characteristics of the existing MCS. However, we have not systematically analyzed their financial controls, so it remains unclear whether their MCS structures mirror these patterns.

This study contributes to the broader discussion in the literature on why SCS often remain decoupled from MCS in many organizations (Schaltegger & Burritt, 2018; Rodrigue et al., 2013; Crutzen et al., 2017). While this research highlights factors such as external stakeholder pressure, lack of internal communication, resource constraints, and managerial resistance, we advance this understanding by identifying customer characteristics as a key external influence. Moreover, we emphasize the role of suppliers as critical stakeholders, arguing that in the context of SCS, they hold a unique position—functioning as both an external and internal force in the organisation's control environment. Hence, our findings indicate that a firm's position within the value chain is a key influence in their design of SCS and degree of integration with MCS.

5.2 Transitions Between Control Levers

5.2.1 Adapting SCS over Time: A Culturally-Embedded Process

All four LOCs are clearly present in both firms—reinforcing the idea that effective control depends on their dynamic interplay. We observe, however, that SCS implementation is not static but adapts in response to internal and external stimuli. This links back to the literature extending Simons' LOC framework to configurations, which suggests that organizations tilt toward certain levers based on strategic objectives and their external environment (Kruis et al., 2016). Our findings reflect a similar dynamic, particularly in the case of NexTech, where the aftermath of a scandal triggered a reconfiguration of control systems that laid the foundation for their sustainability framework. Insights from employee interviews revealed that the company initially placed strong emphasis on boundary systems during the post-scandal recovery phase. This focus on control and risk mitigation helped establish a robust compliance foundation across the organization. As alignment with these controls was achieved internally, the company gradually shifted their strategic orientation from mere regulatory compliance to leveraging CSR as a source of competitive advantage. This shift was accompanied by a rebalancing of control systems. They transitioned to greater emphasis on the belief systems—that play a more prominent role in

guiding the company's sustainability strategy today. More specifically, systems that were initially constraining, such as the company's code of conduct, are now enacted as inspirational and enabling tools, such as emphasizing their CIRCUIT framework.

NexTech's reactivity aligns partially with findings in the SCS literature (Rodrigue et al., 2013; Crutzen et al., 2017), yet it diverges from the view that reactivity necessarily implies a lack of integration between MCS and SCS. As noted earlier, NexTech exhibits strong MCS-SCS integration. However, the findings of Beusch et al. (2022), Johnstone (2019), and Ligonie (2021) indicate that SCS possess inherently different characteristics from traditional MCS due to their socially embedded nature. Unlike the often static, formalized, and systematized design of MCS, SCS rely on context-specific, relational, and value-driven processes. This builds on the dominant view that full MCS-SCS integration is beneficial (Gond et al., 2012; Arjalies & Mundy, 2013; Semenova, 2021) by highlighting how their differing underlying purposes may require more nuanced, context-sensitive approaches to integration—especially in multinational contexts where value chain complexity plays a critical role. In line with this, we observe that limitations in NexTech's execution of their strategy exist, despite a strong MCS-SCS integration, due to the limited use of interactive control elements—vital for successful implementation of SCS.

The case of Livora reinforces this view. Rather than emerging from reactive adaptation, employees emphasize the company's origins and longstanding belief systems to explain their current focus on sustainability—pointing to an early mission statement from the 1970s and the Livora Method Program introduced in 1985, both clearly emphasizing the social aspect of sustainable business. According to our interviewees, the company experienced a natural progression into other areas of ESG, particularly environmental sustainability, building on their deeply embedded belief systems. Sustainability is thus portrayed not as a response to external pressure, but as an embedded cultural norm central to the brand and internal operations. Despite comparatively weaker integration with formal MCS structures, Livora exhibits a highly developed sustainability strategy. This suggests that the combination of their strong belief and interactive systems effectively support the operationalization of sustainability objectives—an observation that aligns with Beusch et al. (2022) and Johnstone (2019), who emphasize the pivotal role of inspirational levers in enabling sustainability management control.

5.2.2 Leveraging LOCs Across Supplier Phases

While effective sustainability control ultimately requires engagement with all components of Simons' framework, our data indicate that companies emphasise specific levers across different stages of supplier relationship. In the pre-onboarding phase, Livora employees consistently express the belief that Livora's brand naturally attracts sustainability-aligned suppliers, simplifying the process of integration into their SCS. Belief systems are in this way leveraged to attract and filter suppliers. NexTech, by contrast, tends to prioritize a more diagnostic, input-control approach by carefully selecting suppliers whose capabilities support the achievement of their own sustainability KPIs.

During onboarding, our data shows that both companies transition to employing more boundary systems through mandatory ethics and compliance training. These mechanisms communicate non-negotiable expectations and outline the consequences of non-compliance, helping to ensure that suppliers understand the minimum standard required to maintain the relationship from the start. After onboarding, Livora emphasizes interactive controls, particularly in collaborative formats through their LivCo development program such as peer-led training and supplier engagement programs that foster participation and co-creation. NexTech, while using interactive controls internally e.g. through commodity group workshops where cross-country managers exchange sustainability insights, appear to rely more on belief systems when engaging their suppliers post-onboarding. Their supplier events showcase sustainability visions and innovations but follow a top-down format focused on inspiration rather than knowledge-sharing. Both firms also employ diagnostic control systems post-onboarding. Livora and NexTech conduct supplier audits, while NexTech additionally tracks KPIs and has expressed plans to more actively enforce supplier-specific metrics, which could indicate a shift toward broader use of diagnostic controls in the future. Our findings suggest that MNCs initially employ their SCS in a constraining manner to establish control when initiating a new supplier relationship, and subsequently introduce more inspirational mechanisms to foster continuous development and goal alignment—ultimately integrating suppliers into their internal control environment.

Prior research suggests that firms focused on compliance tend to rely on constraining control mechanisms, while those with more advanced CSR strategies leverage inspirational controls (Arjalies & Mundy, 2013; Kerr et al., 2015). Kerr et al.'s (2015) tiered framework even suggests a logical progression or maturity path, where firms may evolve from compliance toward excellence. Building on this, our study offers a more nuanced perspective by presenting empirical evidence of such a progression from within a single organization, in the aftermath of NexTech's scandal. We further argue that the implementation of SCS is influenced by a firm's historical context and existing control systems, positioning sustainability control as a co-constructed and iterative process. Moreover, we extend the literature on control configurations by incorporating a temporal dimension, illustrating how MNCs tailor their use of control levers not only in response to firm-level strategy and context, as highlighted by Gond et al. (2012), Kerr et al. (2015), and Kruis et al. (2016), but also dynamically across different stages of supplier engagement.

6. Conclusion

In 2022, CSRD expanded EU reporting requirements to include Scope 3 emissions—indirect emissions from activities across a company's value chain, such as suppliers, transportation, and product use (Bildstein-Hagberg, 2024). Similarly, local legislation like Germany's 2023 Supply Chain Due Diligence Act emphasizes accountability for environmental and social impacts beyond direct operations (Federal Ministry of Labour and Social Affairs, 2023). These developments have increased pressure to integrate supply chain actors into corporate sustainability strategies, posing unique challenges for MNCs due to regulatory, cultural, and industry differences. The broader management control literature reflects a historical focus on internal efficiency and financial performance, with the role of external actors only recently gaining relevance as sustainability has become embedded in strategic and control frameworks.

For NexTech, we observe strong integration between MCS and SCS. We suggest that this is due to the strong linkage between both strategies—that the company's financial bottom line is correlated with their sustainability performance, due to it being a key value proposition for their customers. However, NexTech has been shaped by their reputational damage from past scandals. Their SCS approach remains partially reactive and focused on risk mitigation, without fully

leveraging interactive control systems. Livora, on the other hand, is limited in MCS-SCS integration due to their customers being more price-sensitive and sustainability not being prioritised in their value proposition. This causes their SCS to remain decoupled from their MCS. On the other hand, the organisation has been shaped by their historically strong belief systems, which has facilitated the natural integration of ESG into their overall strategy.

This study adds to the literature on why SCS often remain decoupled from MCS by introducing customer characteristics as a key external influence and highlighting supplier duality.

Additionally, our findings suggest that a firm's position within the value chain significantly shapes how SCS are designed and implemented. Our study contributes a temporal perspective to the literature on control configurations by showing how MNCs adapt their use of control levers over time, influenced by historical context and existing systems—offering a more nuanced view of progression from compliance to strategic sustainability.

Our research is subject to several limitations that highlight the need for additional empirical studies, particularly those conducted on a larger scale, to validate and extend our findings. First, while we contribute to literature on sustainability control systems by emphasizing the critical role of MNCs supply chain, our analysis lacks direct insight into the process from the perspective of the suppliers themselves. This limitation arose because supply chain integration gained relevance during the study and was not part of our original research focus. Despite our efforts, we were ultimately unable to secure interviews with any of the companies' suppliers as our interviewees were unwilling to share the identities of their suppliers, hindering us from approaching them independently. Future research on supplier–MNC dynamics should incorporate insights from both sides through interviews with representatives from each.

Second, our findings suggest that SCS configurations are not static but may shift over time. However, the limited time frame of our study did not allow us to explore these transitions in detail. A more in-depth, longitudinal approach—such as that employed by Beusch et al. (2021)—would be better suited to capturing these dynamics; that said, such an approach extends beyond the scope and constraints of a bachelor's thesis. Observing the evolution of SCS across different phases, particularly in a case like NexTech's, where a scandal prompted major structural changes, could provide richer insights into how such systems adapt in response to shifts in strategic goals and external factors.

7. References

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8. Appendices

Appendix 1: Usage of AI tools in this Report

We used ChatGPT as a supportive tool during the writing process of this thesis. It assisted us in rephrasing to improve the academic tone, shortening sections and summarizing academic literature beyond the abstract to help us assess relevance before engaging with full texts. This allowed us to more efficiently identify sources aligned with our research focus. Importantly, all output generated by ChatGPT was critically reviewed, evaluated, and adapted by us to ensure clarity, accuracy, and alignment with our analytical intentions and academic standards.

Appendix 2: Supporting Material

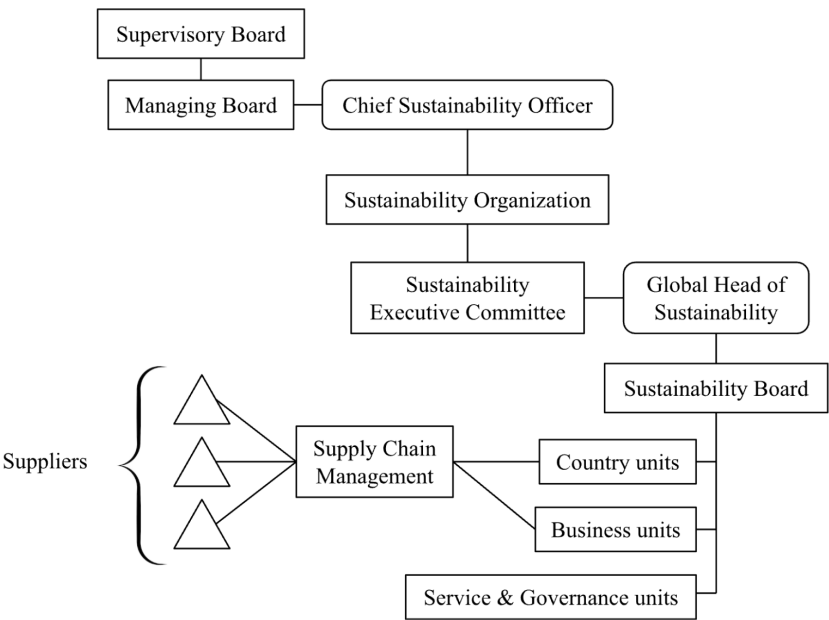
Type of Material	Title	Length	Access
Document	Livora Employee Code of Conduct	16 pages	Publicly available
Document	Livora Franchise Code of Conduct	21 pages	Publicly available
Website	LivCo: Supplier Code of Conduct Page		Publicly available
Document	LivCo Standard General Section	31 pages	Publicly available
Document	Livora Annual Summary and Sustainability Report FY24	134 pages	Publicly available
Document	Livora Net Zero Transition Plan FY25	65 pages	Publicly available
Document	Livora Sustainability Report FY24	57 pages	Publicly available
Website	Livora culture & belief - our history		Publicly available
Presentation	NexTech: Regional Compliance Officer Presentation	22 pages	Internal presentation
Document	NexTech Sustainability Report 2024	170 pages	Publicly available
Document	NexTech Sustainability Report 2023	158 pages	Publicly available
Booklet	NexTech Integrity guide	88 pages	Internal document

Website	NexTech Sustainability Page		Publicly available
Document	NexTech Supplier and third party Code of Conduct Brochure	52 pages	Publicly available
Document	NexTech Supplier and Third Party Code of Conduct	2 pages	Publicly available
Online Course	NexTech Supplier Training for Code of Conduct	25 minutes	Publicly available

Appendix 3: Table of interviewees

Company	Employee position	Date	Duration
Independent	Consultant [C]	11/3/2025	51:06
NexTech	Regional Compliance Officer [N1]	26/3/2025	50:25
	Country Sustainability Manager [N2]	4/4/2025	58:15
	Head of Supply Chain Management and Procurement [N3] & Regional Compliance Officer [N2]	23/4/2025	44:58
Livora	Global Climate Specialist, former Procurement Sustainability Developer [L1]	26/3/2025	45:10
	Sustainability Reporting Lead [L2]	28/3/2025	01:00:08

Appendix 4: NexTech’s organizational chart



Appendix 5: Livora’s organizational chart

